CENSUS 81 HOME CENTER INDUSTRY PROFILE

Grace shifts DIY gears, eyes $1B in sales in '82

NEW YORK—After five tumultuous years of gobbling up regional chains, the W. R. Grace home center machine has shifted gears.

With its acquisition plans reportedly 85% to 95% complete, Grace concentrated largely this year on consolidating its home center operations, preparing the home center division for $1 billion in 1982.

Sales for 1981, by *NHCN* estimates, are expected to reach $810 million, up 15% from 1980 when the division reported sales of $706 million, making Grace the leading home center operator in the United States for the second year in a row, based on consumer sales.

Before this year is out, Grace expects to have 270 home centers in operation in 27 states—26 more stores than at year-end 1980.

The rapid expansion of Grace's home center division, however, has placed an increasingly heavy burden on the $6.1 billion conglomerate's capital reserves. While *NHCN* estimates Grace earned 2.6¢ on every home center dollar netted last year (compared to 6.2¢ on the corporate dollar) Grace caught the home center industry by surprise by deciding in February to sell 50% of its $1 billion home center, sporting goods, western wear and jewelry business to Dutch retailing giant, Vroom & Dreesmann B.V. The five-year sell-out is expected to bring Grace $250 million, which reportedly will be plowed back into Grace's chemical and natural resources businesses.

W. R. GRACE

	1981 (proj.)	1980
Units	270	254
Sales	$810 mil.	$706 mil.
% DIY	95%	94%

Includes Allwoods, Angels, Cashway, Channel, Green/Harris, Handy City, Handy Dan, and Orchard Supply.
Source: NHCN

While Grace officials confirmed that the joint venture will be spun off into a separate, equally owned company within the next couple years, chairman J. Peter Grace denied that the deal signaled any intentions of exiting the DIY field.

Frank Denny, who was named president of W. R. Grace's home center division earlier this year, expects sales for the seven-chain home center operator to reach $1 billion next year.

Handy Dan/Angels —

SAN ANTONIO—W. R. Grace continues to operate its Handy Dan/Angels group as three autonomous, regionally segmented divisions:

The largest division, based here, includes 54 Handy Dan and eight Green/Harris Building Materials outlets in the Southeastern Sunbelt states and Texas. The division opened three new Handy Dan units this year, but closed down one of its Green/Harris outlets, in part due to its traditional ties to contractor business (estimated to be 40% of total sales), which has fallen off sharply.

The second division, based in Phoenix, operates 15 Handy Dan units in the Midwest and Colorado, and 12 Angels stores in Arizona, a total of four more stores than last year.

Together, the two divisions' 89 stores contributed an estimated $276 million to Grace's home center sales, compared to $237 million estimated for 1980. It is estimated Green/Harris contributed $20 million to 1981's total, about the same as last year.

The third division, Angels-California, based in City of Commerce, operates 15 stores, two fewer than last year. However, because of Angels' aggressive, low-price attack on the market, launched earlier this

(Continued on page 18A)

Index

CHAINS:
Boise Cascade 30
Busy Beaver 52
Central Hardware 29
Diamond 42
Erb Lumber 51
Ernst 22
84 Lumber 22
Forest City 37
Handyman 24
Hechinger 26
Hugh M. Woods 46
Lumberjack 57
Lowe's 18A
McCoy's 51
Menards 45
National Lumber 46
Ole's 30
Payless Cashways 20
Pay 'N Pak 30
Pergament 39
Plywood Minnesota 51
Rickel 28
Scotty's 28
West 39
Wickes 18B
Wolohan 57

MERCHANDISING:
Adhesives 29
Automotives 52
Electricals 46
Floor coverings 42
Hardware 28
Kitchen/bath 20
Lawn & garden 22
Lumber/plywood 51
Millwork 39
Paint/sundries 26
Paneling/molding 29
Plumbing 50
Roofing/siding 30
Stoves 37
Tools 45
Wall coverings 24

Evans Products biz to top $722M; expansion slowed

PORTLAND, Ore.—Evans Products is expected to total $722 million in retail sales from its 335 home centers during 1981. The dollar volume, excluding sales from the 11 Inside Outlet stores featuring paint and wallpaper, is about 7% higher than last year.

Company officials indicate that Evans' retail do-it-yourself business will grow from 82% of total sales in 1980 to 85% this year.

The company slowed its expansion during the year and is currently operating only two more home centers than it did at the end of 1980. The only changes in store count have come in the Lindsley chain which is operating three more units and at Moore's which has one less store.

Still, Evans officials are on record as saying that expansion will continue at a fast pace.

"We will continue to expand, and our objective is to reach 450 to 500 stores within the next five years," chairman, president and ceo Monford Orloff said at Evans Products' annual meeting in May.

EVANS PRODUCTS

	1981 (proj.)	1980
Units	335	333
Sales	$722 mil.	$680 mil.
% DIY	85	82

Source: NHCN

"Our efforts will be concentrated in our present areas of strength which we have not fully penetrated in the sense of having a number of stores in a particular area."

Orloff has cited potential expansion for Texas, Oklahoma, Louisiana and northern California, Oregon, Washington and Idaho.

Also during the year, Evans decided against pursuing a merger with Portland, Ore.-based retailer Fred Meyer.

Grossman's —

BRAINTREE, Mass.—Grossman's will show approximately the same 7% increase in sales during 1981 as the entire Evans Products retail division, according to an *NHCN* estimate. The chain's volume will reach $375 million.

Grossman's is operating the identical number of units, 193, as it did in 1980, but DIY volume as a per cent of total sales will increase from 90% last year to 92% this year.

Merchandising changes at the chain this year included the testing of passive solar energy through a $2,449 room addition package for DIYers and the dropping of wall coverings after a four-year, eight-unit experiment because of unsatisfactory sales.

Grossman's

	1981 (proj.)	1980
Units	193	193
Sales	$375 mil.	$350 mil.
% DIY	92	90

Source: NHCN

Grossman's units in the West began adopting the same retail computer processing system as the Moore's chain. The system includes POS terminals and processors connected to Braintree headquarters.

HERE COMES
GROSSMAN'S
A DIVISION OF EP EVANS PRODUCTS COMPANY
EVERYTHING TO BUILD WITH
HEADQUARTERS ENERGY SAVERS
TRUCKLOAD SALE

Grossman's, the 193-unit flagship chain for Portland, Ore.-based Evans Products, is expected to contribute $375 million to Evans' total 1981 home center sales.

NHCN photo

Lindsley —

MIAMI—Lindsley has been the only Evans Products retail company to add to its store count in 1981 and the additions will help the chain boost sales to $115 million from $100 million last year, according to *NHCN* estimates.

The 100%-DIY chain opened new units in Cutler Ridge, Tamiami and West Boca, Fla., to increase its total to 42 stores, all in Florida.

The chain confronted new competition in its Miami-Fort Lauderdale market as Atlanta-based Home Depot launched an expected four-store attack with the opening of two stores in the area around Labor Day.

Evans Products has been pleased with its 1979 acquisition, however. Its outlook was typified by chairman, president and ceo Monford Orloff's remarks to *NHCN* earlier this year when he called Lindsley "substantially more profitable than the other two chains [Grossman's and Moore's].

Lindsley

	1981 (proj.)	1980
Units	42	39
Sales	$115 mil.	$100 mil.
% DIY	100	100

Source: NHCN

Moore's —

ROANOKE, Va.—Moore's will have the smallest sales increase among the Evans Products' chains, in part, because 35% of its business is with builders. *NHCN* projects Moore's 1981 volume will total

(Continued on page 18B)

Moore's

	1981 (proj.)	1980
Units	86	87
Sales	$137 mil.	$130 mil.
% DIY	65	65

Source: NHCN

The top 100 home center chains

DIY Rank	Chains	DIY $ Volume (in millions) '81 (proj.)	'80	Number of units '81	'80	'82 (proj.)	% Consumer	1981 Total $ Volume (in millions)
1	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Green/Harris, Handy City, Handy Dan, Orchard)	769	665	270	254	300	95	810
2	**Evans Retail,** Braintree, Mass. (incl. Alamo, Grossman's, Hubbard & Johnson, Lindsley, Moore's, Steel City)	614	517	336	333	N.A.	85	722
3	**Lowe's,** North Wilkesboro, N.C.	475	424	225	214	240	50	950
4	**Payless Cashways,** Kansas City, Mo. (incl. Furrows)	466	363	86	78	100	95	490
5	**Wickes,** San Diego (incl. Wickes Lumber, Builders Emporium)	418	418	278	280	285	47	890
—	**Grossman's,** Braintree, Mass. (see Evans)	345	322	193	193	N.A.	92	345
6	**84 Lumber,** Eighty-Four, Pa.	302	275	350	300	N.A.	55	550
—	**Handy Dan** (incl. Green/Harris, Angels in Ariz.) (see Grace)	276	237	89	83	100	95	262
—	**Channel Home Centers,** Whippany, N.J. (see Grace)	230	206	89	85	96	100	230
7	**Ernst Home Centers,** Seattle (incl. Pay 'n Save, Von Tobels)	230	207	76	70	80	100	230
8	**Handyman,** San Diego (incl. Homer's)	213	193	81	75	N.A.	100	213
9	**Hechinger,** Landover, Md.	210	170	33	29	37	100	210
10	**Scotty's,** Winter Haven, Fla.	206	169	81	75	86	70	295
11	**Rickel Home Centers,** South Plainfield, N.J.	194	164	31	30	N.A.	100	194
—	**Builders Emporium,** Irvine, Calif. (see Wickes)	182	160	62	55	69	100	182
12	**Central Hardware,** St. Louis	180	165	30	28	N.A.	100	180
13	**Pay 'N Pak,** Kent, Wash.	169	154	72	70	75	75	225
14	**Ole's Home Centers,** Pasadena, Calif.	160	140	32	29	36	100	160
15	**Boise Cascade,** Boise, Idaho	153	152	96	103	N.A.	47	326
—	**Lindsley Home Centers,** Miami (see Evans)	115	100	42	39	N.A.	100	115
16	**Forest City,** Cleveland	113	104	21	21	23	96	118
17	**West Building Materials Centers,** Atlanta	113	113	65	65	N.A.	75	150
18	**Menards,** Eau Claire, Wis.	112	98	15	12	N.A.	85	132
19	**Pergament,** Melville, N.Y.	105	95	44	40	N.A.	100	105
—	**Handy City,** Atlanta (see Grace)	95	74	53	46	54	100	95
20	**National Lumber,** Santa Ana, Calif.	90	70	12	9	13	100	90
21	**McCoy's Building Supplies,** San Marcos, Tex.	78	61	33	28	38	80	98
22	**Diamond Retail,** Sacramento, Calif.	78	79	125	123	130	28	280
23	**Hugh M. Woods,** Denver	72	55	12	10	14	90	80
24	**Erb Lumber,** Birmingham, Mich.	69	79	36	35	N.A.	66	104
—	**Cashway Home Improvement,** El Paso (incl. Allwoods) (see Grace)	68	63	11	12	14	90	75
25	**Plywood Minnesota,** Minneapolis	66	64	64	64	20	100	66
26	**Lanoga,** Seattle (incl. Spenard's, United Building Centers)	63	57	124	118	N.A.	45	152
—	**Orchard Supply,** San Jose, Calif. (see Grace)	61	52	14	11	16	75	81
27	**Southwest Forest Industries,** Phoenix (incl. Knox Lumber, Dunlap's)	59	54	15	15	20	66	94
28	**Busy Beaver,** Blawnox, Pa.	58	53	31	30	34	68	85
29	**Wolohan Lumber,** Saginaw, Mich.	57	60	35	36	36	60	95
30	**Neiman-Reed Lumber City,** Sherman Oaks, Calif.	54	49	13	13	13	98	55
31	**Lumberjack Stores,** Sacramento, Calif.	54	45	6	5	7	90	60
32	**Lampert Lumber,** St. Paul	54	51	50	50	50	75	73
—	**Angels,** City of Commerce, Calif. (see Grace)	53	50	15	17	19	100	53
—	**Knox Lumber,** St. Paul (see Southwest Forest Industries)	52	49	9	9	10	80	65
—	**United Building Centers,** Winona, Minn. (see Lanoga)	49	47	113	113	N.A.	60	—
33	**Carter Lumber,** Kent, Ohio	47	45	125	120	N.A.	60	78
34	**American Maize,** Stamford, Conn. (incl. Lloyd Lumber, Lundy Briggs)	47	43	43	40	47	60	78
35	**Valu Home Centers,** Buffalo	43	40	18	18	N.A.	100	43
36	**Stambaugh-Thompson,** Youngstown, Ohio	36	32	17	17	19	100	36
37	**Handy Andy Home Improvement,** Gurnee, Ill.	35	29	7	11	13	98	36
38	**Foxworth-Galbraith,** Dallas	35	36	49	49	49	50	70
39	**Home Depot,** Atlanta	34	22	6	4	8	98	35
40	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline, Everitt)	34	31	10	9	12	52	65
41	**Warner True Value,** St. Paul	33	30	22	23	N.A.	95	35
42	**Hill Behan,** St. Louis	33	32	31	31	31	55	60
—	**Hubbard & Johnson,** San Carlos, Calif. (see Evans)	33	39	5	5	5	55	60
—	**Alamo Enterprises,** San Antonio (see Evans)	29	25	9	9	9	83	35
—	**Lloyd Lumber,** Danbury, Conn. (see American Maize)	28	19	37	25	N.A.	75	37
43	**Homeowners DIY,** Gardena, Calif.	26	21	5	4	7	100	26
44	**Chase-Pitkin,** Rochester, N.Y.	25	21	9	9	10	90	28
45	**Goodman Lumber,** San Francisco	25	23	5	5	5	90	28

The top 100 home center chains

DIY Rank	Chains	DIY $ Volume (in millions)		Number of units			% Consumer	1981 Total $ Volume (in millions)
		'81 (proj.)	'80	'81	'80	'82 (proj.)		
46	**Peter Kuntz Lumber,** Dayton, Ohio	25	21	29	29	29	52	48
47	**Edward Hines Lumber,** Chicago	25	24	26	25	28	40	62
48	**Action Hardware,** Cheswick, Pa.	25	15	13	12	N.A.	98	25
49	**O'Malley,** Phoenix	24	24	19	19	N.A.	30	80
50	**Somerville Lumber,** Somerville, Mass.	24	20	1	1	2	85	28
51	**Church's Lumber,** Utica, Mich.	24	23	12	12	13	66	36
52	**Pine Lumber Cashway,** Detroit	23	24	13	11	15	80	29
—	**Dixieline Lumber,** San Diego (see Weyerhaeuser)	22	18	5	4	6	40	55
53	**Scott's,** Linthicum, Md.	22	13	15	8	N.A.	95	23
54	**Gee Lumber,** Chicago	22	18	11	10	11	75	29
55	**Courtesy Lumber,** Mount Prospect, Ill.	21	19	4	4	5	100	21
56	**City Mill,** Honolulu	21	18	4	4	4	90	23
57	**Plywood Ranch,** Braintree, Mass.	20	20	28	28	28	90	22
58	**Lampert Yards,** St. Paul	20	25	42	45	42	50	40
59	**L-P Home Centers,** El Segundo, Calif.	20	20	8	8	10	80	25
60	**Paty Lumber,** Piney Flats, Tenn.	20	19	6	6	N.A.	62	32
—	**Everitt Lumber,** Fort Collins, Colo. (see Weyerhaeuser)	8	7	5	5	N.A.	60	14
—	**Lundy-Briggs,** Williamsport, Pa. (see American Maize)	20	14	21	20	N.A.	60	33
61	**All-American Home Center,** Downey, Calif.	19	17	1	1	1	100	19
62	**Brewster's,** Providence, R.I.	18	20	4	4	4	50	35
63	**Sackett & Peters,** Whittier, Calif.	17	15	2	2	3	98	17
64	**Walker Kurth,** Houston	16	17	7	7	N.A.	50	32
65	**Levy's Lumber,** Louisville, Ky.	16	15	3	3	5	98	17
66	**Eclipse Industries,** Bridgeton, Mo.	16	15	8	8	10	90	18
67	**A. C. Houston,** Wichita, Kan.	16	20	11	11	11	40	39
68	**Kindt,** Lomira, Wis.	15	15	6	6	7	50	30
69	**Charles Meek Lumber,** Springfield, Mo.	15	16	11	11	N.A.	63	24
70	**Budget Power,** Minneapolis	15	13	8	7	8	90	17
71	**Williams Bros.,** Atlanta	14	12	7	7	7	80	18
—	**Spenard's Building Centers,** Anchorage (see Lanoga)	14	11	11	5	N.A.	20	70
72	**Lumbermen's of Washington,** Shelton, Wash.	14	14	6	4	6	80	17
73	**Bailey Lumber,** Bluefield, W. Va.	13	13	18	18	18	60	22
74	**Elgin Lumber,** Elgin, Ill.	13	13	3	3	4	63	21
75	**Fullerton Lumber,** Minneapolis	13	15	70	70	70	40	33
76	**Brookhart Building Centers,** Colorado Springs	13	11	6	6	6	70	18
77	**Hardware Fair,** Baltimore	13	11	10	10	10	100	13
78	**Affiliated Home Centers,** Kansas City, Mo.	12	12	22	18	22	40	30
79	**Bonanza Building Centers,** San Jose, Calif.	12	7	4	4	6	100	12
80	**Samon's DIY,** Salt Lake City	12	11	13	13	13	65	18
81	**Sunset Industries,** Tucson, Ariz.	11	12	4	4	5	60	19
82	**Conklin Cash & Carry,** Warwick, N.Y.	11	11	7	7	7	85	14
83	**Builderama,** Savannah, Ga.	11	10	6	5	7	80	14
84	**Mead Lumber,** Columbus, Ohio	11	11	14	13	14	70	16
85	**Wood Bros.,** Tucson, Ariz.	11	10	2	2	3	80	14
86	**Dawson's Home Center,** Springfield, Ill.	11	11	2	2	2	65	17
87	**Haggerty Lumber,** Walled Lake, Mich.	11	11	2	2	2	65	17
88	**McLendon Hardware,** Renton, Wash.	11	10	2	2	2	90	12
89	**Brown's Lumber,** Fairmont, W. Va.	11	10	7	6	7	70	15
90	**M. L. Claster & Sons,** Bellefonte, Pa.	11	10	12	12	13	50	21
91	**Martin Home Centers,** Alexandria, La.	11	11	12	11	12	50	21
92	**Mid-Cape Home Centers,** Orleans, Mass.	10	11	8	8	8	45	23
93	**Herr Lumber,** Seattle	10	11	6	6	7	80	13
94	**Lumber Headquarters,** Floral Park, N.Y.	10	9	13	12	14	85	12
95	**Stine Lumber,** Sulphur, La.	10	9	3	2	3	85	12
96	**TAPJAC,** Carthage, Md.	9	9	13	14	12	60	15
97	**Cox Lumber,** St. Petersburg, Fla.	9	9	9	7	9	25	35
98	**Homestead Supplies,** Yucca Valley, Calif.	8	7	7	7	7	65	12
99	**Macrose Lumber,** Massapequa, N.Y.	7	7	5	5	5	90	8
100	**Masten Lumber & Supply,** Milford, Del.	6	5	5	4	5	50	12

All data from annual reports, company sources or NHCN *estimates. Data from companies with fiscal years have been projected into 1981 calendar figures for comparison purposes.*
NA = Not Available

CENSUS 81 FACTS AND FIGURES

Lowe's shy of $1B mark, expansion slowed

NORTH WILKESBORO, N.C.—Lowe's had hoped to register its first billion dollar sales year in 1981, but it appears the chain will fall short of its goal.

Still, Lowe's officials project a record sales year in the area of $950 million, better than 7% above 1980 volume, which was 2% lower than in 1979.

The home building slump, for the most part, has stymied Lowe's from reaching the $1 billion mark. Sales to professionals dropped 9% during 1980 from the previous year and rising interest rates sapped a builder business surge after the first quarter of fiscal 1981 when professional volume was up 23% from the prior year.

Builder sales increased only 8% in the second quarter and were off 19% in August as compared to fiscal 1980 periods.

On the brighter side are retail sales. Consumer volume grew 15% in Lowe's first quarter, another 10% in the second quarter and 4% in August compared to the same periods last year. In June, retail volume of $41.7 million set a company record for four-week DIY sales.

Lowe's is concentrating on improving consumer sales further through its RSVP (Retail Sales Volume and Profit) program which will encompass the redesign of sales floors in 115 existing stores by Jan. 31, 1983. The chain is also incorporating the design in its new units.

RSVP entails a traffic plan aimed at leading a consumer through an entire Lowe's outlet. Each corner of an RSVP store is a "hot spot," featuring carpeted and attractively lit areas with high-ticket merchandise.

In addition, the technique is aimed at drawing female traffic. Items appealing to women are situated on the right-hand side of the unit while items appealing to men are clustered on the opposite side.

Lowe's is expending nearly $100,000 per store to complete each RSVP retrofit and, as of Aug. 29, it had finished 48 units, 31 in the current fiscal year ending Jan. 31, 1982. New Lowe's stores, including those opened this year in Altoona and Mechanicsburg, Pa., Owensboro, Ky., and Virginia Beach, Va., have given the chain 55 units with the new sales floor out of 218 stores in the chain.

Lowe's wants half of its business to be retail sales by 1985. It would like to combine strengthening retail sales with stronger builder business to gain that 50-50 mix.

In other recent developments, Lowe's shareholders approved a plan to increase common shares from 20 million to 50 million and to issue up to 500,000 shares to the company's Employee Stock Ownership Plan as deemed financially appropriate prior to the May 1982 annual meeting. The common share increase gave Lowe's directors the go-ahead to award a 3 for 2 stock split of the 13,022,126 shares effective Oct. 12.

The directors were also seeking to list Lowe's stock on the London Stock Exchange following its listing on the New York Exchange in December 1979 and on the Pacific Exchange last January.

Lowe's will fall short of the $1 billion mark in sales this year, mainly because of the home building slump. Still, the chain will post an estimated volume of $950 million. NHCN photo

LOWE'S

	1981 (proj.)	1980
Units	225	214
Sales	$950 mil.	$884 mil.
% DIY	50	48

Source: NHCN

Handy Dan/Angels —

(Continued from page 15)

year by Robert McNulty, executive vice president of merchandising and operations, Angels is expected to increase its sales from $50 million last year to $53 million for 1981.

Angels, which by some observers' accounts had grown stagnant in the market because of four years of top management turnover, now appears to be turning around under McNulty's merchandising and president Buford Melton's financial discipline. Grace chairman, J. Peter Grace, recently proclaimed that the new life seen in Angels' operation is part of a three-year plan to double the chain's size and make it No. 1 in the market by 1985.

Meanwhile, Handy Dan continues to reap the benefits of higher home turnover in the Sunbelt markets, fostering steady DIY sales growth. Of all the Grace chains, Handy Dan comes closest to a prototype, with the averge 36,000-sq.-ft. store carrying 25,000 sku's, and generating about 35% of its sales from lumber and building materials.

While the Handy Dan and Arizona Angels outlets have not reverted to low-ball pricing, the chains have worked this year to stress a highly competitive price image, generally by market rather than by store. With 12 to 15 new stores expected to be opened a year, Handy Dan is quickly emerging as the flagship chain in Grace's home center fleet.

Handy Dan/Angels

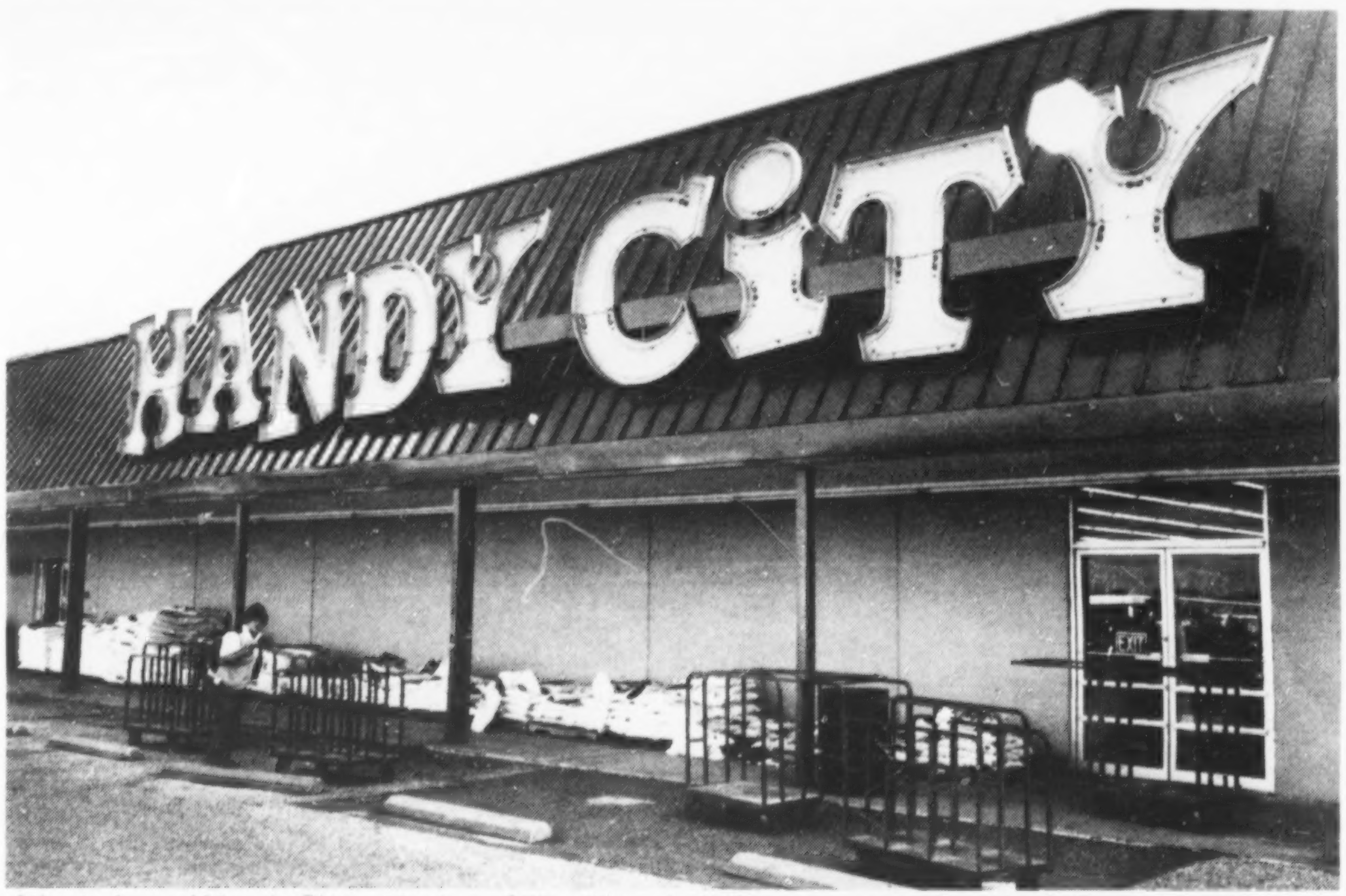
	1981 (proj.)	1980
Units	89	83
Sales	$276 mil.	$237 mil.
% DIY	95%	95%

Includes Handy Dan—Southwest Southeast division; Handy Dan Angels—Arizona, Midwest division, and Green Harris Building Materials.
Source: NHCN

Angels
(California)

	1981 (proj.)	1980
Units	15	17
Sales	$53 mil.	$50 mil.
% DIY	100	100

Source: NHCN



Atlanta-based Handy City, a 13-store, $27 million chain five years ago when W. R. Grace bought it, now expects 53 stores to produce an estimated $91 million in sales for 1981. Total Grace home center sales this year are expected to top $800 million from 270 outlets in its seven-chain collection. NHCN photo

Channel —

WHIPPANY, N.J.—Compared to the expansion drives of 1978 and 1979, when Channel Home Centers was bringing on 30 new stores a year, the addition of five stores in 1980 and four more this year—bringing the total to 89—might seem like slow progress.

Not necessarily. While Channel plans to add six new stores to its five-unit Boston base next year, then plunge into Washington, D.C., with six new stores in 1983, the chain has been making headway to reposition its image as the solid lumber and building materials business it once was.

Channel's prototype, now averaging 33,000 sq. ft., is being enlarged to between 35,000 and 40,000 sq. ft., to expand the chain's selection of building products. In addition, Channel is preparing within the year to reformat 24 of its smaller stores to accommodate expanded lumber and building material departments.

Meanwhile, the tidal wave of new stores opened two years ago are now showing signs of maturing, with chain sales for 1981 expected to show a 12% increase to $230 million, from last year's total of $206 million.

Channel

	1981 (proj.)	1980
Units	89	85
Sales	$230 mil.	$206 mil.
% DIY	100	100

Source: NHCN

Handy City —

ATLANTA—Handy City, now with 53 stores and estimated sales of $95 million, perhaps more than any other Grace chain, reflects recent efforts to consolidate operations at the chain level.

Under former Forest City president, Robert Pliner, Handy City has been redirecting its store format and fits more closely in the Handy Dan mold, reformatting many of its 36,000-sq.-ft. stores to project a greater strength in lumber and building materials.

The chain, having grown from 46 stores last year, with estimated sales of $74 million, has also restructured its field staff, using six regional operators in place of three district staffs. While the head office now plays a more centralized role, Handy City has spent a good deal of effort training its store personnel, to improve customer service.

Finally, the chain has struck a new, highly competitive pricing posture, similar to its sister chains.

It will probably be 1983 before the chain is overhauled enough to launch a new expansion drive, according to Grace sources. In the meantime, Handy City is expected to open two new distribution centers to support long-term growth.

Handy City

	1981 (proj.)	1980
Units	53	46
Sales	$95 mil.	$74 mil.
% DIY	100	100

Source: NHCN

Orchard Supply —

SAN JOSE, Calif.—Orchard Supply, the supersized hardware chain in Grace's home center collection, with nearly 80,000 sku's at some outlets, opened two new 36,000-sq.-ft. outlets this year, bringing its store count to 13 units.

Sales, which *NHCN* estimates reached $69 million last year, are expected to climb to $81 million by year-end 1981.

The chain's expansion plans call for three to four new stores a year, although Orchard president, Loren Smith, has indicated that new stores will be added only as fast as they can be staffed. Orchard traditionally has 35 salespeople on the floor of each store.

Lumber and wood products, introduced at Orchard only after it was acquired by Grace in 1979, now account for about 3% of total sales.

Orchard Supply

	1981 (proj.)	1980
Units	13	11
Sales	$81 mil.	$69 mil.
% DIY	75	70

Source: NHCN

Cashway Home Improvement —

EL PASO—Aside from the sudden increase in the amount of financial reporting demanded by its new parent, Cashway Home Improvement reports little has changed in the 15 months since W. R. Grace bought the chain.

NHCN estimates the 11-unit operation, which includes six Allwoods outlets in New Mexico, will register 1981 sales of $75 million, up $5 million from last year's estimate, despite plans to close down the chain's experimental Allwoods Home Decor store in El Paso.

Long-term plans, however, call for 15 new 40,000-sq.-ft. stores to be opened by 1986, with two due on line in Albuquerque, N.M., early next year.

There are no plans at present to phase out the chains contractor business, which in the last two years, has contributed approximately 10% to Cashway's revenues.

Cashway Home Improvement

	1981 (proj.)	1980
Units	11	11
Sales	$75 mil.	$70 mil.
% DIY	90	90

Includes Allwoods
Source: NHCN

Wickes earnings drop 79% in wake of building slump

SAN DIEGO—With net income down 79%, fiscal 1981 was the year Wickes Cos. tried to digest its year-old acquisition of Gamble-Skogmo, while riding out the gloomy performances of its building divisions.

For the year ended Jan. 31, net income for the national conglomerate was $8.3 million on sales of $2.88 billion, compared to fiscal 1980's net income of $39.7 million on sales of $1.96 billion.

The earnings dive included a nonrecurring loss of $7.65 million (*NHCN*, April 27), for discontinued operation of the Wickes Building Division in May and the sale of its forest industry divisions.

In addition, 278-unit, Saginaw, Mich.-based Wickes Lumber, which accounts for 25% of the company's business, is still suffering the ill effects of the faltering construction market, contributing to profit problems.

For the first six months of calendar 1981, Wickes Cos. lost $5 million, while six-month sales were $2.1 billion, up 13% from last year's sales of $1.84 billion.

However, company chairman E. L. McNeely is confident that measures the corporation has taken, such as personnel cuts in the lumber division have "positioned Wickes well for the months and years ahead.

"While we are not expecting any dramatic improvement in the economy, we expect to see an increase in consumer confidence and the benefit of the President's tax cut in our stores," he added.

"I think we can say with some degree of certainty that there will be a Christmas this year," he concluded.

Wickes Lumber

SAGINAW, Mich.—Stung again by another tough year for the construction industry, Wickes Lumber's 1980 is shaping up as a year of sharp expense cutting, especially in terms of payroll costs.

According to Wickes Cos. president David J. Primuth, 20% of the division's staff of 6,275 employees were recently laid off. (*NHCN*, Oct. 12).

"We've gone through every store, area office and home office too with a fine-tooth comb," said Primuth. "We cannot afford the luxury of any extra staff. We realize we're going to have to live with this kind of economy for some time in the future."

Although sales and earnings figures were not available for the 278-unit chain, insiders revealed that while sales were about even with 1980's $890 million, profits took a plunge again this year after last year's losses.

Wickes Lumber

	1981 (proj.)	1980
Units	278	280
Sales	$890 mil.	$890 mil.
% DIY	47	43

Source: NHCN

In 1980, contractor sales, which accounted for 57% of the operation's volume, were off 24%, and income was down close to 50%.

The newly appointed leader of Wickes Lumber is company veteran John V. Drum, executive vice president and group officer. He replaces Richard L. Barker, who held the position of division general manager for almost a year. Barker has been relocated in London as managing director of a new international business group.

While 1981's losses are reportedly not as steep as last year's, the chain, strapped by its reliance on builder business, is finding it necessary to make hefty cutbacks.

Looking at the year's first-quarter loss at Wickes Lumber, E. L. McNeely, parent company chairman, said, "The most significant reason for the first-quarter loss is a continuation of the unprecedented pattern of high interest rates.

"In addition to their effect on housing, higher interest costs to the company, paid on short-term borrowings to finance working capital, offset a portion of the improvement in continuing operations shown by the company," he added.

In fact, for the second quarter, Wickes Cos. posted a $14 million increase in year-to-year interest costs.

"We are doing such things as implementing more stringent capital costs controls, putting new procedures into place to further reduce administrative expenses," McNeeley said.

Apart from personnel layoffs, the operations' total store count is down two units from last year. Two stores in Jacksonville, Fla., and one each in Monroe, La., and Arkadelphia, Ark., were closed, while two new units opened—in Clarksville, Ind., and Casper, Wyo.

At presstime, manpower in the chain's two-year-old area office system was being dramatically reduced—from one- to two-thirds, depending on sales in a particular area.

Marketing and merchandising functions, which had been placed there to better control and support store-level programs, were being dismantled and returned at Saginaw headquarters.

Wickes
Wickes

High interest costs served a crippling blow to Wickes Lumber in 1981. The 280-unit Saginaw, Mich., chain was forced to lay off 20% of its staff.

NHCN photo

Builders Emporium

IRVINE, Calif.—Builders Emporium has been Wickes Cos.' strongest asset this year.

NHCN estimates sales for the 100% DIY chain, which added seven new units this year, are up about $22 million—from $160 million in 1980 to $182 million this calendar year.

Builders Emporium

	1981 (proj.)	1980
Units	62	55
Sales	$182 mil.	$160 mil.
% DIY	100	100

Source: NHCN

Five of BE's new stores—two in Sacramento, one each in Fair Oaks, Vacaville and Stockton, Calif.—were takeovers of Gamble-Skogmo-owned Tempo units. The other two new outlets are in Santa Ana and San Juan Capistrano.

The most newsworthy change for BE in 1981, however, according to general manager William T. Teachout, was the installation of its first POS system (*NHCN*, March 16).

By the end of the year, Teachout said the system will be placed in eight units, with more stores scheduled to go on stream in 1982. This month six stores were put on line, he noted.

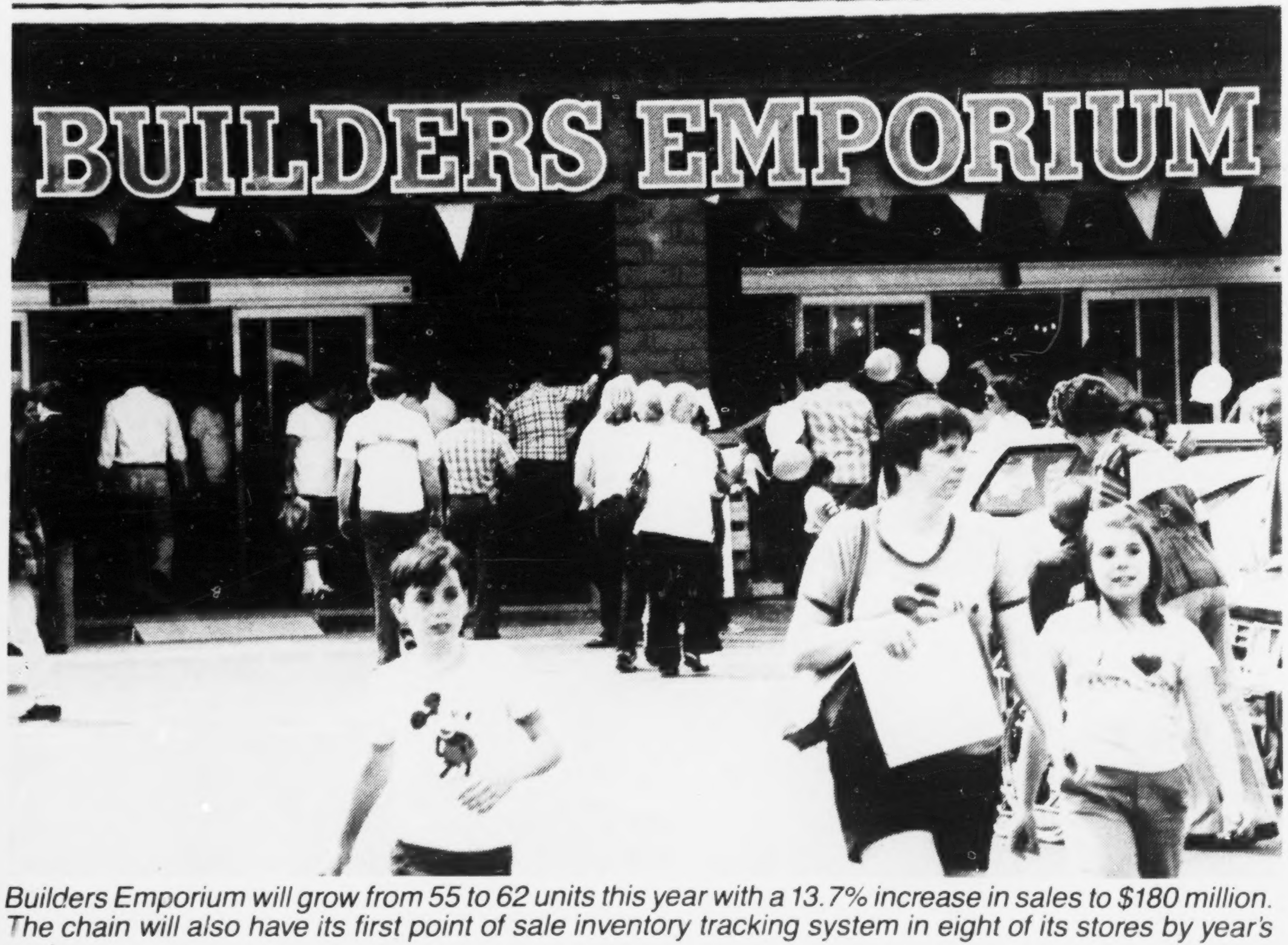
The system, which replaces electronic cash registers, provides information to assist management in fine tuning internal controls. It can track inventory, freeing store-level employees from the time-consuming tasks of manual inventory counting.

The first store to receive the POS computer was in Costa Mesa. Installed in January, the setup there was tried as a six-month test.

Costa Mesa manager Rick Garrett said that thanks to the amount of time the computer has saved his salespeople, "there's a noticeable improvement in the look of the departments."

In addition, Garrett pointed out that the new system allows store management to determine sales of each department at various times of day. Since the system was installed, store management has been posting department sales reports at noon, 3 p.m. and 6 p.m.

With the salespeople able to see how their departments are doing throughout the day, Garrett said, "it is really generating more of a competitive spirit."



Builders Emporium will grow from 55 to 62 units this year with a 13.7% increase in sales to $180 million. The chain will also have its first point of sale inventory tracking system in eight of its stores by year's end.

NHCN photo

Moore's

(Continued from page 15)

$137 million, up from 1980's $130 million.

The 86-store chain celebrated its 25th anniversary this year with a six-week promotion featuring reduced prices on merchandise.

It also appointed some new personnel.

Chauncey D. Wood Jr. joined Moore's as director of advertising after most recently serving as vice president of advertising and sales promotion for Family Dollar Stores, Charlotte, N.C. He replaced the late Jack Bowler who died earlier this year.

Priscilla Evans replaced Maggie L. Baker as the chain's media director. Evans came from Houck Advertising. Baker relocated to South Carolina.

James M. Lavender and Robert W. Maurer were added to the staff as merchandising managers/marketing department. Lavender, who came to Moore's from West Building Materials Centers, Atlanta, is responsible for roofing, insulation and gypsum.

Maurer, who joined the chain from Inland Wholesale Lumber, a division of Carter-Jones Lumber, Kent, Ohio, is responsible for commodity items, Lumber and plywood.

Alamo

SAN ANTONIO—Acquired by Evans Products in 1977, Alamo Enterprises gives the company a retail foothold in Texas. The chain operates nine units in the state, five in San Antonio.

Alamo Enterprises

	1981 (proj.)	1980
Units	9	9
Sales	$35 mil.	$30 mil.
% DIY	83	80

Source: NHCN

Alamo is estimated to do $35 million in sales this year, up from $30 million in 1980.

Hubbard & Johnson

SAN CARLOS, Calif.—Hubbard & Johnson, the Evans Products' chain with the greatest percentage of contractor business, 45%, will see sales fall from $70 million last year to $60 million in 1981, according to *NHCN* projections.

The six-unit California chain operates as part of the 39-store western division of Evans retail group.

Hubbard & Johnson

	1981 (proj.)	1980
Units	6	5
Sales	$60 mil.	$70 mil.
% DIY	55	45

Source: NHCN

READ
CLASSIFIED ADS

KITCHEN/BATH

Sales: $891 million

Annual Turns: 4.0

Gross Margin: 35%

GMROI: 215%

Loss of three vanity mfrs. opens up bathroom market

NATIONAL REPORT—Biggest news in the bath market in 1981 was the loss of three major vanity manufacturers, opening up the booming field to a host of new companies and expanded distribution for established ones (*NHCN*, May 11).

Heads Up, pioneer producers of high-end oak bath products, caused shock waves throughout the industry when it announced it was pulling out of the vanity and accessories business to concentrate on manufacturing oak cabinets for Sony TV sets. Heads Up will continue to make pull-chain toilets for the DIY market, toilet seats and a carved oak mirror.

General Bath and Williams were next to bite the dust, both attributing their demise to the recession, high interest and the lack of new housing. Williams' medicine cabinet, mirror and accessory lines will be marketed by parent Lehigh Products.

Among the first new companies to try and fill the void was Dusterfields, which in May began shipping "exact replicas" of the Heads Up line. Expanding distribution was Pace Industries, Chicago and Permabilt, Torrance, Calif.

Retail sales in the vanity category started to accelerate in March and April, according to dealers. A revival in bathroom cabinet sales was projected for the third quarter.

On the West Coast, DIY dealers reported a drop in high-end oak bath accessories (*NHCN*, May 11). Lumberjack, a five-unit Sacramento-based chain, has gradually cut its wooden bath sku's by 20% to 30%. Meanwhile, back on the East Coast, the wooden bath accessory trend is reportedly just gaining momentum.

In the kitchen field, a New Hampshire firm has introduced a computer which can design kitchens, draw and change layouts, quote prices, change appliances, come up with several suggestions and print out the final plan in six minutes.

One home center manager dismissed it as a "gimmick," feeling that customers prefer the personal touch, but home centers might just ultimately be prime outlets for this futuristic machinery.

Kitchen cabinets continue to turn up in other rooms, according to a National Kitchen Cabinet Assn. survey (*NHCN*, July 6). In 1980, 93% of dealers reported selling kitchen cabinets for other rooms—compared with 88% in 1979, although only 55% of surveyed dealers said they actively promoted this kind of sale.

Payless Cashways —

KANSAS CITY, Mo.—Payless Cashways was expected to end its 1981 fiscal year Nov. 30, with sales of $490 million—a gain of 28%—and earnings of $15.7 million, 44% ahead of last year.

Net income per share was expected to reach $1.35, an increase of 42% over the 95¢ recorded in 1980 by the Kansas City-based chain.

By the end of calendar year 1981 Payless Cashways plans to be operating 86 stores in 14 Midwest, Southwest and Pacific Coast states, an addition of eight new stores this year as part of its goal to be operating 100 units by the end of 1982.

The bright sales picture is due in part to strong same-store sales, with 60 mature stores—those at least two years old at the beginning of the fiscal year—recording sales increases of about 15%. In 1980 mature stores showed only a 4.8% improvement, which was blamed on extreme weather conditions throughout the Southwest and Midwest, consumer credit restrictions and the general decline in the economy.

Sales picked up in the fourth quarter of 1980 because of aggressive pricing. While healthy sales increases continued through 1981, the gross margin was also boosted.

Depreciation and interest expense declined as a percentage of sales in 1981, enhancing earnings. The drop resulted mostly from the conversion of much short-term debt to long term at the end of 1980.

Payless Cashways, which aims at $1 billion in sales by 1984, will enter 1982 with an expansion strategy that calls for a move away from its typical 30,000-sq.-ft. store with 24,000 sq. ft. selling space, an adjacent warehouse and covered lumberyard.

The firm hopes to build smaller units in smaller markets, further emphasizing the consumer segment of the building materials market.

PAYLESS CASHWAYS

	1981 (proj.)	1980
Units	86	78
Sales	$490 mil.	$383 mil.
% DIY	95	95

Source: NHCN

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It compares weight. National is the heaviest in the industry, to work better and last longer.

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LAWN & GARDEN

Sales: $1.1 billion

Annual Turns: 3.3

Gross Margin: 34%

GMROI: 158%

Nature plays leading role in lawn and garden sales

NATIONAL REPORT—Nature played a big role in lawn and garden sales this year.

Another relatively snowless winter left about 600,000 snow blowers parked in the supply channels, with the cost of carrying the inventory estimated at $10 million for Toro alone. This situation led Toro to retrench and emphasize its dealerships rather than the mass merchandisers.

A Florida drought slowed sales of underground sprinklers there, although one chain reported that the watering efficiency of sprinklers helped keep sales from falling drastically.

In the Northeast, which was plagued by an infestation of gypsy moths, stores had a hard time keeping stocked with chemicals and traps that customers sought desperately as the caterpillars defoliated more than five million acres.

With Americans spending another vacation season in their backyards because of the high cost of gas and travel, sales of patio items remained strong.

Grills shipped were expected to reach 12,750,000, an increase of 6% over last year, according to The Barbeque Industry Assn., which predicted retail sales of about $379 million.

Backyard vacations also led to an increasing interest in patio furniture as a decorator item, with powdercoated tubular metal chaises and chairs increasing their share of the $200 million metal furniture market, although cheaper aluminum items remain dominant.

Indeed, the health of the lawn and garden industry despite problems of the economy was perhaps best demonstrated by an *NHCN* survey conducted with the National Assn. of Home Builders.

Landscaping was the No. 1 DIY project among new home buyers, with 38% of respondents indicating that they would be spending money to beautify the areas around their

(Continued on page 28)

84 Lumber

EIGHTY-FOUR, Pa.—Boosted by the opening of 50 new stores during 1981, 84 Lumber sales increased to an estimated $550 million this year, up from an estimated $500 million in 1980.

Most of the new units were located in the 350-store chain's new Eastern division, the domain of former vp of marketing and sales Joseph Hardy Jr., described by company insiders as a "merchandising whiz."

Hardy's flair for merchandising can be seen in the new merchandising program for the chain's new stores, bringing in a host of vendor-support, point of purchase displays onto the sales floor, a change from 84's spartan warehouse-type appearance.

84 LUMBER

	1981 (proj.)	1980
Units	350	300
Sales	$550 mil.	$500 mil.
% DIY	55	50

Source: *NHCN*

In addition, some of the chain's existing units are being refurbished along the same lines as the new stores, aimed at making them "easier to shop in, while remaining conceptually the same," according to an 84 spokesman.

Sku's in several DIY categories are being broadened, however, although 84 insists that it is not revamping all stores or changing its basic low-overhead strategy.

Sales of "home center items" at the refurbished Smyrna, Ga., outlet are reported to be up from "35%-50%," particularly paint, lighting fixture and bath sales.

The chain's new units, measuring approximately 11,250 sq. ft., are much more compact than their older 20,000-sq.-ft. counterparts and small enough so as not to require costly sprinkler systems mandated for stores larger than 12,000 sq. ft.

During the spring sale period, the chain instituted a coupon program in its 250 Eastern units in which it donated $2 to the charity of each store manager's choice for every gallon of paint purchased. In addition, customers saved 50¢ on each gallon.

Ernst

SEATTLE—Parent company Pay 'n Save continued its aggressive expansion program for its home center operations during 1981.

Six new Ernst Home Centers have opened their doors thus far during the current fiscal year (beginning Jan. 31, 1981) bringing the Pay 'n Save home center division total to 70. The division also includes three Von Tobel's home centers in the Las Vegas area and three Yard Birds general merchandise stores in Washington.

ERNST HOME CENTERS

	1981 (proj.)	1980
Units	76	70
Sales	$230 mil.	$207 mil.
% DIY	100	100

Includes Von Tobel's, Yard Birds
Source: NHCN

Sales for the home center division for 1981 are estimated at

(Continued on page 24)

Basic Carpentry Techniques
ORTHO BOOKS
ORTHO Tomato Vegetable Dust
ORTHO KLEENUP Weed & Grass Killer
ORTHO WEED-B-GON Lawn Weed Killer
ORTHO AMMO.
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ORTHO BOOKS.
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Chevron ORTHO
Chevron Chemical Company

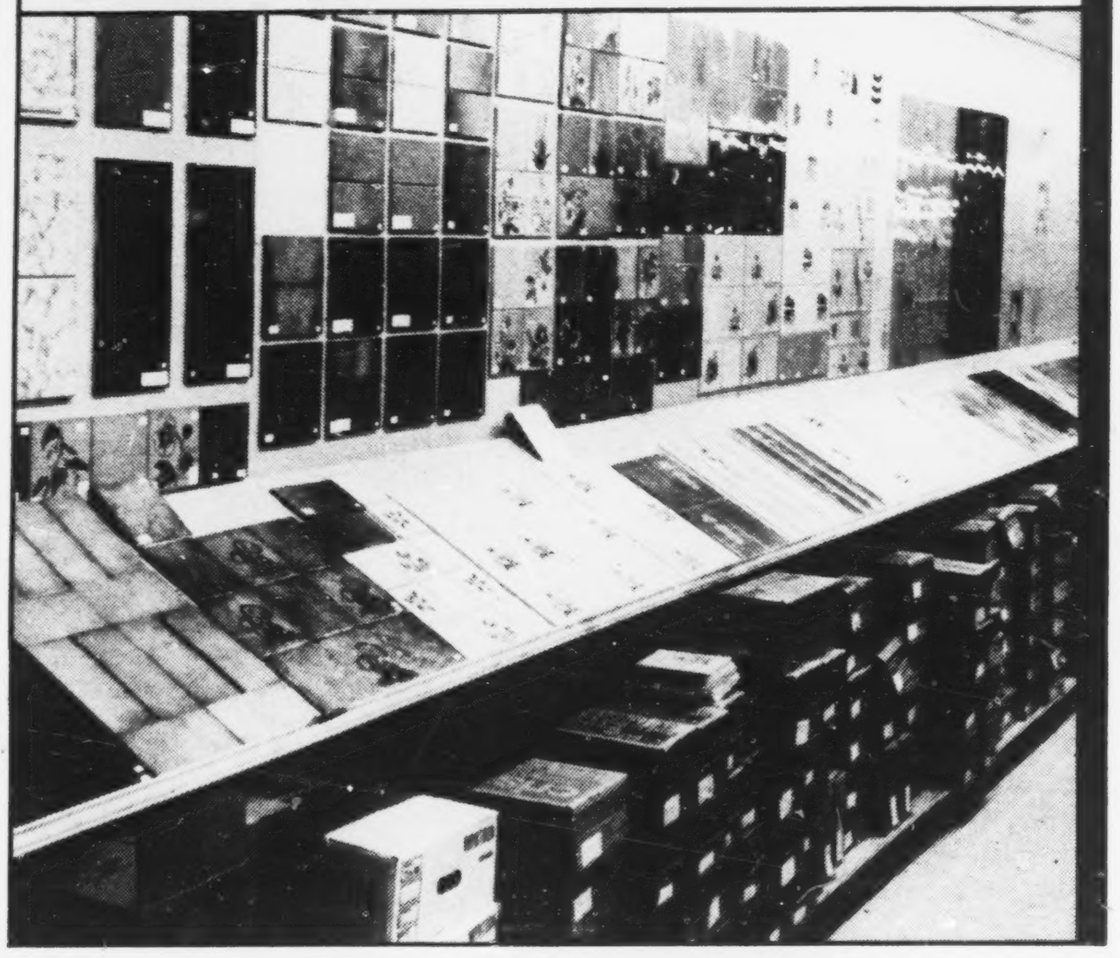
WALL COVERINGS/DECO

Sales: $605 million

Annual Turns: 3.2

Gross Margin: 39%

GMROI: 209%



Generic promo push aims at expanding use of paint

NATIONAL REPORT—The paint and coatings industry launched a major generic promotional campaign during 1981 aimed at expanding product usage.

Other highlights of the year included more home center expansion into the private label area, a customer trend to "neutral" tones and the increased use of computerized paint mixers.

Developed by the National Paint & Coatings Assn., the promotional campaign is built around the theme "Picture it Painted." A four-city test of a radio jingle declared May National Paint Month. The radio ads were supported by special articles on the versatility of paint in *Good Housekeeping, Ladies' Home Journal* and *Woman's Day* magazines.

Beginning this month a NPCA-produced newspaper supplement will appear in Sunday editions nationwide, including the *Washington Post.* The supplement will contain several articles describing the various uses of paints and coatings.

During 1982, a two-week network radio campaign is scheduled for National Paint Month (May), supported by a *Better Homes & Gardens* article on exteriors.

More home center chains entered the private label field during 1981. Among those chains with private label paint lines are All-American, Builders Emporium, Central Hardware, Chandlers, Channel, Evans, Forest City, Handy City, Ole's, Pergament and Rickel. Louisiana-Pacific expanded its private label line to compete with Olympic's Weatherbeater and Overcoat products (*NHCN*, Feb. 16). According to L-P, sales of private label paint should account for 60% of its estimated $950,000 in 1981 paint sales.

A customer trend toward paler, "neutral" tones that require from three to eight bases is allowing dealers to reduce their ready-mix inventory (*NHCN*, Feb. 16). Most industry sources agree that earth tones are on the wane, with off-white and pastel hues being mixed more frequently.

Paint-mixing enables the retailer to reduce inventory and save both floor space and money. The increased use of computerized mixers has reportedly resulted in speedier and more accurate tinting. Manufactured by Graco Inc., Minneapolis, they are priced at $10,000 per unit.

Pergament has machines in nine of its stores and units have also been installed in All-American, Handyman and Hechinger stores, some on an experimental basis.

(Continued on page 26)

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Ernst

(Continued from page 22)

$230 million by *NHCN*.

The Von Tobel's units average 45,000 sq. ft. and carry an Ernst-type merchandise mix, excluding sports equipment. The Yard Bird stores, averaging 24,000 sq. ft., are involved in various retail segments, including home centers.

The six new Ernst stores opened during fiscal 1982 are located in Bothell, Port Orchard, Richland and Silverdale, Wash.; Boise, Idaho and Cheyenne, Wyo. Ernst currently operates 45 units in Washington, 10 in Utah, 7 in Idaho, 3 in Montana (including 1 Odegaard's store), 2 each in Nevada and Wyoming and 1 in Oregon.

Parent company Pay 'n Save undertook a major management realignment earlier this year. The move combined merchandising, advertising and distribution functions for its three corporate divisions. Bill Boston, former Ernst division manager, was promoted to vice president, general manager. He oversees store operations for the entire home center division.

Ernst stores average 37,500 sq. ft. per unit. Except for seasonal and special promotional items, the chain relies on distributors rather than buying direct.

Ernst TV commercials are presented in cartoon form. A recent TV campaign had the theme, "Look Around, We're In Brown," focusing on the change in employee uniform color from yellow/orange to brown.

Handyman

SAN DIEGO—Aimed at stimulating sales and retaining its market share, Handyman this year continued its aggressive price promotions, begun in early 1980, a year of difficulty for the chain.

During 1980, the 100% DIY chain had sales of $193,513,000 and operating income of $11,925,000. Volume in 1981 is expected to reach $213 million. Net income in 1980 was down to $3,115,000, less than half of the 1979 figure.

Handyman opened five new stores during 1981, including its second Tucson, Ariz., store. The firm's Homer chain added units in the Texas cities of Lubbock, Wichita Falls, Dallas and Garland. Handyman's chain total is now 79, including 20 Homer units.

HANDYMAN

	1981 (proj.)	1980
Units	79	74
Sales	$213 mil.	$194 mil.
% DIY	100	100

Source: *NHCN*

At least two additional stores are expected to open during 1982.

This year, Handyman expanded its automotive department, roughly quintupling the department's size. The "grand opening" of the new department was announced to customers in a mid-July advertising circular. The expansion included taking the 12-ft. automotive gondolas and expanding them to 64-ft. runs in approximately 60 of the company's stores. The remaining stores increased the size of the gondola run from approximately 12 ft. to 32 ft.

In expanding the department, products for changing

(Continued on page 26)

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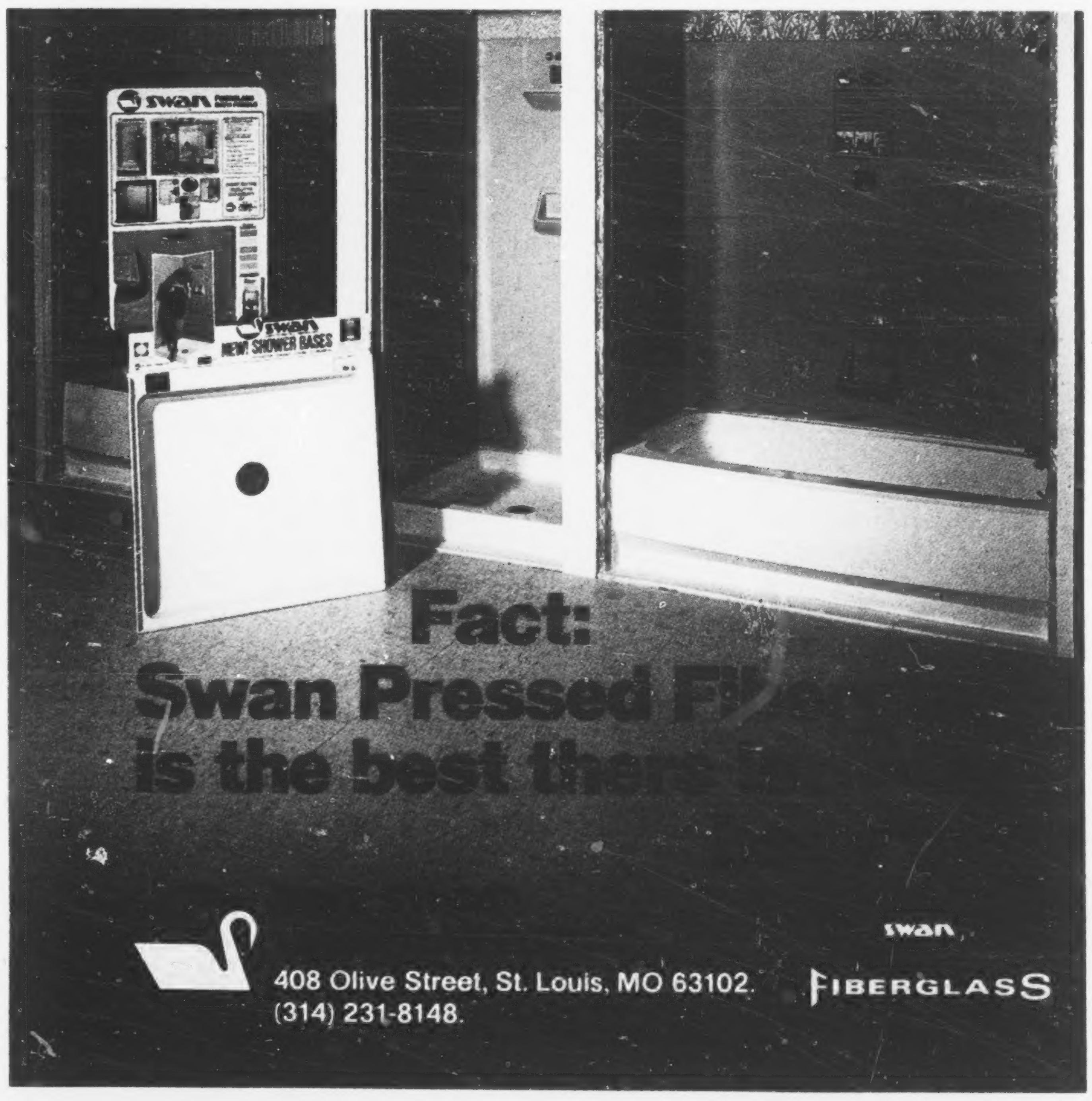

408 Olive Street, St. Louis, MO 63102.
(314) 231-8148.

PAINT/SUNDRIES

Sales: $1.9 billion

Annual Turns: 3.1

Gross Margin: 39%

GMROI: 195%

Generic paint promo push

(Continued from page 24)

All-American's machine is being paid for through its private label supplier, the only brand mixed on the machine. Graco explains that a home center needs in excess of $200,000 in volume with a particular brand of paint to justify the cost of the computer.

Paint sundries continued to be a retailer's dream, consistently reaping high profits with little or no advertising (*NHCN*, Aug. 17). Natalie Baker, merchandiser for the 12-unit Chase-Pitkin chain, said that the rarely promoted sundries account for 50% of the Rochester chain's paint volume. During this past summer sundries averaged between $35,000 to $40,000 a week in sales chainwide. "Sundries are the products I really make money on," said Baker.

Textured and insulating paint sales increased during 1981, although many retailers felt they had to be sold on a promotional, reduced price basis. Vapor barrier paint continued to try to break into the market during 1981. Although many retailers dismiss it as an elaborate primer, manufacturers insist the product has energy-saving properties. Customer receptivity has been minimal (*NHCN*, Feb. 2).

On the advertising front, home center operators stepped up their advertising and promotion of exterior paints and stains to compete with other merchants for a greater market share (*NHCN*, April 27). Kansas City's Affiliated Home Centers promoted paint for the first time at 10 of its contractor-oriented stores.

In the wall covering field, retailers were skimming the high end off their rolled wall covering mixes in favor of heavier medium-priced offerings (*NHCN*, Aug. 17). Wall coverings buyers reported that the hottest design trend for 1981 was the use of coordinates (*NHCN*, Sept. 14).

PEOPLE

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Handyman

(Continued from page 24)

oil, cleaning and waxing were broadened and new products, such as spark plugs, car stereo, floor mats and car care kits were added.

According to the 1981 annual report of Edison Brothers Stores, St. Louis, parent company of Handyman, it would not be "realistic" to expect sales to grow at "their previous pace" until mortgage rates and new home construction also return to their earlier levels. With housing starts now at a five-year low the days of dramatic sales increases for Handyman (and the market in general) may just be fond memories.

Hechinger

LANDOVER, Md.—The first act of Hechinger's "Philadelphia Story" opened during 1981 with the debut of the first two of 15 units the chain has planned for the southeastern Philadelphia area.

The 70-year-old chain reported the highest sales figures for any quarter in the company's history during the second quarter of fiscal 1982, ending Aug. 1, 1981, a total of $57.7 million.

First-half fiscal 1982 sales were up 28% from 1980 to $109.6 million. Net earnings for first half fiscal 1982 were reported to be $4 million, up 34% from first half fiscal 1981. *NHCN* estimates that total sales for calender 1981 will reach $210 million.

HECHINGER

	1981* (proj.)	1980*
Units	33	29
Sales	$210 mil.	$170 mil.
% DIY	100	100

**Calendar year*
Source: NHCN

The two new Philadelphia-area stores are located in Jenkintown and adjacent to the Oxford Valley Mall in Bucks County. The third store in the area will open in the spring, in Ridley, Delaware County.

In addition, a full-sized prototype store opened last spring in the Hechinger-owned shopping center in inner-city Washington, D.C. The unit (replacing a 20,000-sq.-ft. store) encompasses 60,00 sq. ft. of selling space and a 20,000-sq.-ft. warehouse and garden center.

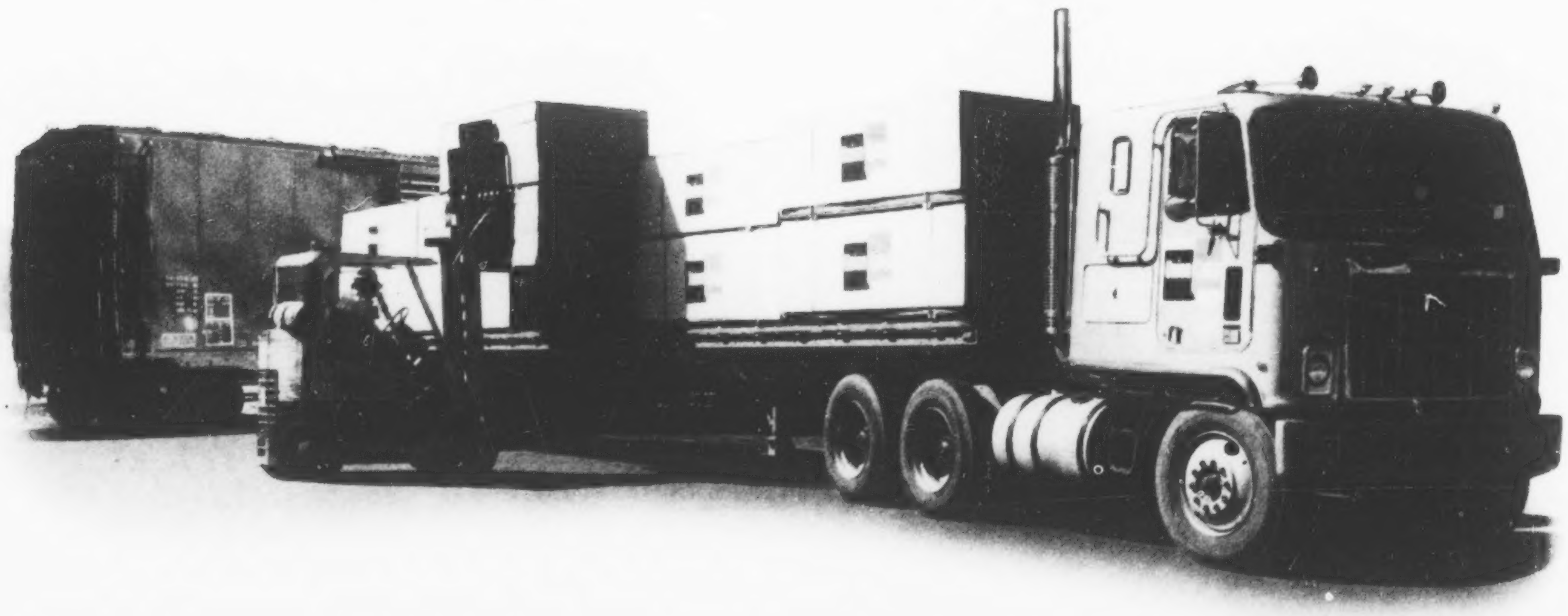
Other new Hechinger stores opened during 1981 include one at the Montgomery Mall in Bethesda, Md.; and a second Richmond, Va., store opened in August. Two new stores are planned for 1982: the third Philadelphia unit and a fourth Baltimore store, slated for a spring opening.

At the beginning of 1981 Hechinger launched an extensive print and radio advertising campaign in some of its newer markets aimed at erasing its high-priced image. The ads promised Hechinger "will not be undersold" in building and commodity materials. The ads appeared in the Lancaster, York and Harrisburg, Pa., and Virginia Beach, Va., markets.

Hechinger stockholders received a 3 for 2 stock split on May 22nd, the result of impressive sales and earnings increases for the chain's fourth quarter and fiscal year ending Jan. 31, 1981.

Long time Hechinger secretary and director Eloise K. Head retired in July.

Now Union Camp Mixes It Up With The Best...



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Union Camp For Supply And Service You Can Depend On . . . At the same time, our new Thorsby veneer plant has added extra capacity to make sure we meet the growing demand for our products. What's more, the entire operation is supported by 1.7 million acres of company owned southern forestland which provide an unfaltering supply of raw materials. At Union Camp we're ready with service, selection, delivery and price. Find out for yourself, call us today.

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Scotty's

WINTER HAVEN, Fla.—Scotty's posted its fifth straight year of record sales and earnings in its 1981 fiscal year ended June 27.

The 83-store chain saw earnings rise 5% to $11,081,000 (3.98% of sales) on a sales gain of 20% to $294,433,000. Sales for the first eight weeks of fiscal 1982 totaled $43,459,317, up 18% from the same period of fiscal 1981. At Scotty's new Palm Bay, Fla., store, opened in March, a three-day grand opening promotion produced a record volume of $113,186.

On the heels of the chain's healthy sales increases, Scotty's officials are now contemplating store expansion into Alabama and Georgia. The chain opened seven new stores during calendar 1981 and is planning eight openings.

SCOTTY'S

	1981	1980
Units	87	80
Sales*	$294 mil.	$250 mil.
% DIY	70	68

*(Fiscal year ending 6 30)
Source NHCN

Chain officials dedicated a $2 million, 206,000 sq. ft. lumber distribution center at its headquarters in June. With an average height of 33 ft., the distribution center has storage capacity of 6.8 million cubic feet. When totally stocked, the building holds more than 3.7 million linear feet of lumber.

Scotty's, which stocks 8,600 sku's, has dropped chain saws from its merchandise categories. Average selling area per store is 36,000 sq. ft.

The chain utilizes 50 LaBelle projectors as well as 50 other audiovisual devices. Scotty's uses computers in all aspects of processing and has substantially increased computer utilization during the past year.

The chain spends 3% of total sales on advertising, approximately $8.8 million during fiscal 1981. It allocated this advertising expense as follows: 55% newspapers, 40% TV and 5% radio.

Fifty per cent of Scotty's merchandise is planogrammed.

Nature plays

(Continued from page 22)

homes. There was a somber note of course—new home starts reached an all-time low.

Conversely, some of the less cheerful developments this year also had a more upbeat side.

In outdoor power, for example, while lawnmower shipments were down about 5% from last year and snow blowers were clogging warehouses throughout the country, the industry was successful in modifying a safety requirement that could have added $70 to the retail cost of a walk-behind mower. Instead the Congress adopted regulations that give manufacturers greater latitude in complying with the safety standard, which could allow manufacturers to raise retail prices as little as $15.

While sprinkler sales were off slightly in Florida, the big news was that giant inroads were being made outside the Sunbelt.

Although electric string trimmer sales were leveling, gas units were becoming more popular and at one major chain—217-store Lowe's—even outsold the electric variety.

Rickel

SOUTH PLAINFIELD, N.J.—Rickel Home Centers, a division of Supermarkets General, opened its 31st store, located in the Philadelphia area, during the third quarter of 1981. This was the chain's first new unit for the year, although three new stores were planned as well as two renovations. Rickel's 1981 sales are estimated by *NHCN* to be $194 million.

Last year, Rickel's sales grew to $163.7 million, an increase of 13.1%. Same store sales increased 3.2%. However, operating profits were down 25% from 1979 figures.

First-half 1981 sales were up by 20% to $96,135,000, the result, according to Rickel, of a "successful promotional approach."

Rickel reports that earnings for the first six months of 1981 are ahead of last year's level. Sales per square foot of selling space rose to $116 in 1980 from $78 six years ago.

In the new stores and in other recently renovated units, aisles have been widened to accommodate more customer traffic and allow for more efficient display and layout. Unitized handling of products, such as building boards and fertilizer, has been increased, resulting in labor savings and reduced merchandise damage.

All new and renovated Rickel stores will conform to the chain's updated prototype of 45,000 sq. ft., downsized from the standard 100,000-sq.-ft. unit size. One Rickel store in Monsey, N.Y., has leased approximately 10,000 sq. ft. to a clothing discounter.

The plan included a major renovation which also transferred 11,523 sq. ft. to an adjacent Pathmark Supermarket and provided almost 6,000 sq. ft. for three additional stores. Rickel and Pathmark are both owned by Supermarkets General.

RICKEL

	1981 (proj.)	1980
Units	31	30
Sales	$194 mil.	$164 mil.
% DIY	100	100

Source *NHCN*

HARDWARE

Sales: $2.4 billion

Annual Turns: 2.8

Gross Margin: 35%

GMROI: 134%

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PANELING/MOLDING	
Sales:	$1.65 billion
Annual Turns:	3.7
Gross Margin:	36%
GMROI:	208%

Customer awareness boosts adhesive biz

NATIONAL REPORT—Customer awareness of the potential use of adhesives, caulks, sealants and weather stripping as energy-saving products came to the fore in 1981, with home centers the beneficiaries of increased sales.

Retailers are also reporting that because consumers are becoming more energy conscious, they are trading up to the higher-priced, more effective adhesives and foam insulation, which are fast turning, high margin products (*NHCN*, Feb. 16).

"Local power companies, do-it-yourself shows, literature and packaging go aggressively after the consumer as far as energy is concerned, and I feel we do 50% more business in caulking because of energy," said Steve Stookesberry, vice president for the three-unit Economy Lumber, Denver.

Nick Jensen, buyer for the 18-unit Affiliated Home Centers, Kansas City, Mo., agreed wholeheartedly with Stookesberry, although he noted that a campaign of customer education was also essential to selling these products.

"A big percentage of the caulking we sell is for energy purposes," he explained. "But although it's the least expensive of the energy-savers, it's often the last thing people think about. They think of storm doors, thermostats and insulation first."

By and large, adhesives have become year-round sales items, and the energy angle has been a merchandising godsend for many home center stores.

At the 17-unit Stambaugh-Thompson chain, Youngstown, Ohio, weather stripping accounted for 15% to 20% of the adhesives' department sales, according to general merchandise manager Don Senne.

Acrylic and silicone caulks, despite their higher price tags, seem to be replacing lower-

(Continued on page 30)

Central Hardware —

BRIDGETON, Mo.—Slower sales growth and store expansion marked 1981 for 30-unit Central Hardware.

The chain is projected to generate $180 million-plus in sales this year, which would only be an 8% increase over 1980 revenues of $165 million. President Stanley Cohen attributed the sluggish volume growth to the poor economy in the chain's six markets. "For the first time in 40 years of retailing, I don't know what will change [the economic] conditions," he said earlier this year.

Central, in fact, concentrated on solidifying its market strengths this year by opening a new unit last March in Columbus, Ohio, and an "as is" bargain outlet in St. Louis last April. Central now has four stores in Columbus and nine in St. Louis, its home base.

Future expansion, particularly into the Kansas City, Mo., market, may also be stalling. While he announced last October that Central would construct two 55,000-sq.-ft. units in Overland Park, Kan. (on the Kansas-Missouri border), Cohen recently told *NHCN* that zoning restrictions have become "difficult," and that the stores' openings may be further delayed past the mid-1982 target.

CENTRAL HARDWARE

	1981 (proj.)	1980
Units	30	28
Sales	$180 mil.	$165 mil.
% DIY	100	100

Source: NHCN

Despite the economy and pressure from competition, Central Hardware will continue to use the basic merchandising formula that has proven successful for it in the past: 45,000- 60,000-sq.-ft. stores housing 40,000 sku's of lumber, building materials, hardware, lawn and garden, sporting goods and major appliances.

Store officials conceded that Central's product mix in certain markets had to be fine-tuned to comply more closely to customer needs, however.

"We made some mistakes in Indianapolis and Memphis," said Central's Memphis district manager Darrell Vancil, "We didn't pay strict enough attention to climatic and regional differences in the markets."

The chain also showed a willingness to experiment with the products it carried. Last January, Central made a special purchase of more than 6,000 name-brand dress shirts, regularly priced from $17-$20, and sold them for $8.88 to draw customers. This was a one-time promotion.

In August, Central replaced its ailing leased automotives department operator and supplier, Ameron, with an expanded 2,000-sku program from Witte Hardware, an independent wholesale operation owned by the chain.

Experiments such as these may be less frequent in 1982, though. Cohen said he would be running his business "with extreme conservatism" next year.

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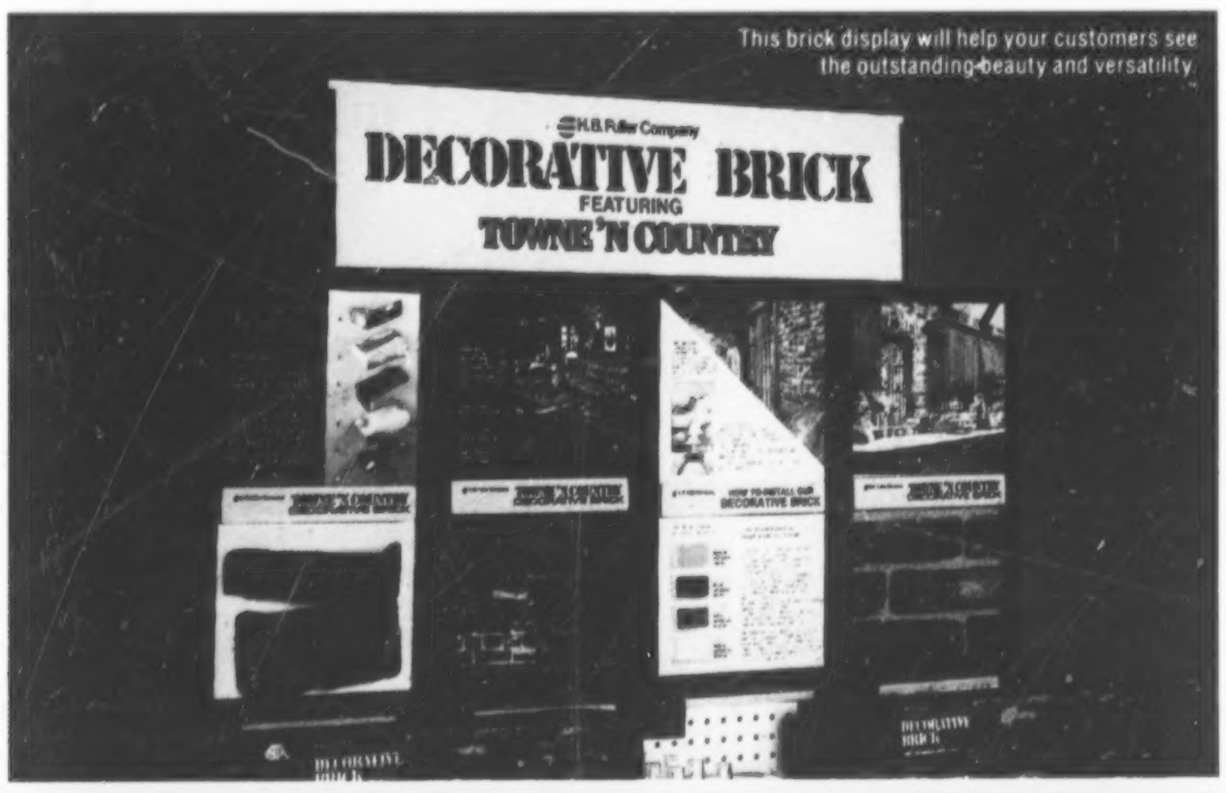
This brick display will help your customers see the outstanding beauty and versatility.
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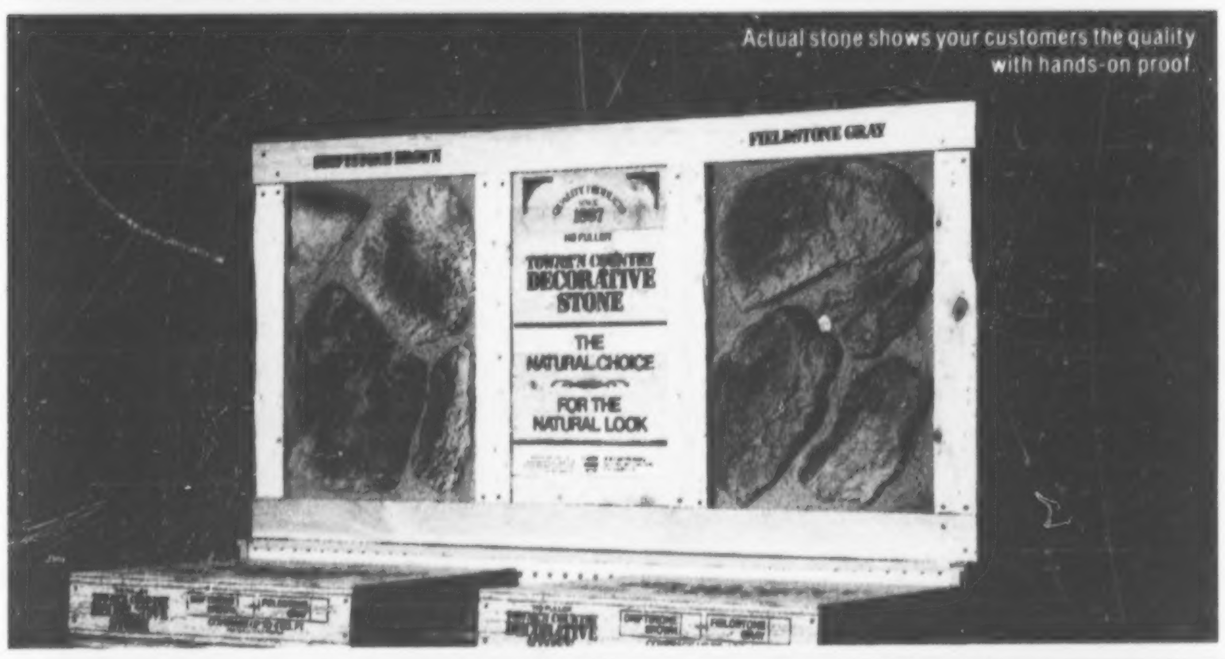

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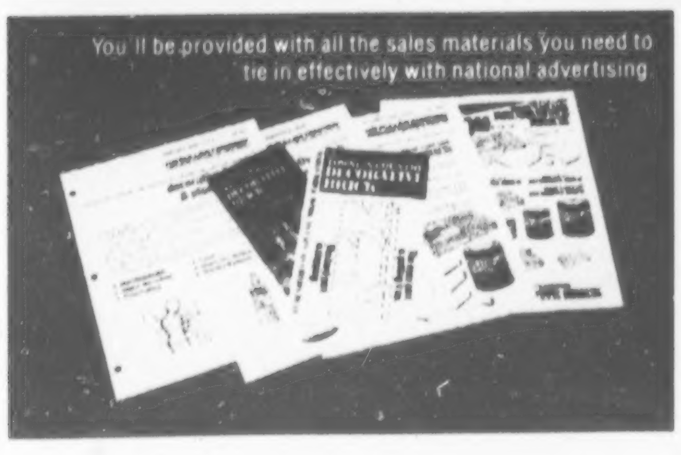
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Pay 'N Pack

KENT, Wash.—This 84-unit chain operating in 15 states will experience a nearly 20% sales increase during fiscal 1982, according to *NHCN* estimates.

Fiscal 1982 sales should reach $180 million, up from a fiscal 1981 total of $151.7 million. First-quarter fiscal 1982 sales were reported by the company to total $41.5 million.

The chain, which operated in 69 cities at the end of fiscal 1981, will open five new stores during fiscal 1982 in Medford and Pendelton, Ore.; Carson City, Nev.; a second store in Wichita, Kan., and a third store in Sacramento, Calif. Pay 'N Pak opened six new stores during fiscal 1981.

The 98% DIY chain buys 80% of its merchandise directly from manufacturers rather than through wholesalers.

PAY 'N PAK

	1981*	1980*
Units	89	84
Sales	$180	$151.7
% DIY	98	98

*Calendar year
Source: NHCN

The chain's major advertising tool is a full-color, preprinted tabloid issued four times per year in over 70 newspapers. Approximately 5½ million of the tabloids are printed annually.

The approximate contribution, as a percentage of Pay 'N Pak's net sales, of each of its major product categories during fiscal 1981 was as follows: 34% building materials, 32% electrical, 24% plumbing, 5% automotive, 5% sporting goods.

Gondola heights were raised 1 ft. in the chain's smaller units to get more merchandise on the sales floor. Stores were painted with warmer, rust colors, switching from bright yellow and blue shades. The chain also added new fabric graphics with silk screens to help depict Pay 'N Pak departments. The cost of all these cosmetic changes was estimated at $400,000.

The chain's larger units average 21,000 sq. ft.

Ole's

PASADENA, Calif.—Although failing in a bid to take over some of the retail space in the shuttered Gold Circle discount stores in northern California, Ole's Home Centers continued its intensive expansion into new markets.

The chain opened three new units, including a store in Stockton, Calif., the fourth in the chain's northern California group and 32 in total.

Ole's 1981 sales are estimated at $160 million by *NHCN*, up from an estimated $137.5 million in 1980.

The 100% DIY chain will open four new stores in 1982: one in Oxnard, northwest of Los Angeles; a unit in San Leanardo, south of Oakland, and two stores in the Los Angeles Metropolitan Area.

OLE'S HOME CENTERS

	1981 (proj.)	1980
Units	32	29
Sales	$160 mil.	$137.5 mil.
% DIY	100	100

Source: *NHCN*

Getting into the seven former Gold Circle units in northern California would have made Ole's a dominant force in that area, but it would have been at a cost of opening much smaller units than the chain is used to. Only 30,000 sq. ft. would have been available at the former Gold Circle locations, which would have been shared with Zodys discount store.

A typical Ole's unit exceeds 40,000 sq. ft. and a 43,000-sq.-ft. prototype is the company's current expansion vehicle.

The prototype incorporates 84-in. gondolas, replacing the 61-in. fixtures Ole's uses in many of its older stores. The prototype allows Ole's to build smaller stores while fitting the same amount of merchandise into less square footage. The prototype carries approximately 28,00 sku's.

Boise Cascade

BOISE, Idaho—With the home building slump adversely impacting sales to builders in the last two years, Boise Cascade's 96 building materials centers have seen stagnant sales.

The chain's sales and business mix are expected to rival 1980 activity when volume reached $325.7 million and consumer sales were 47% of that volume.

Boise Cascade has sought to draw DIY traffic into its stores through displays and special

(Continued on page 37)

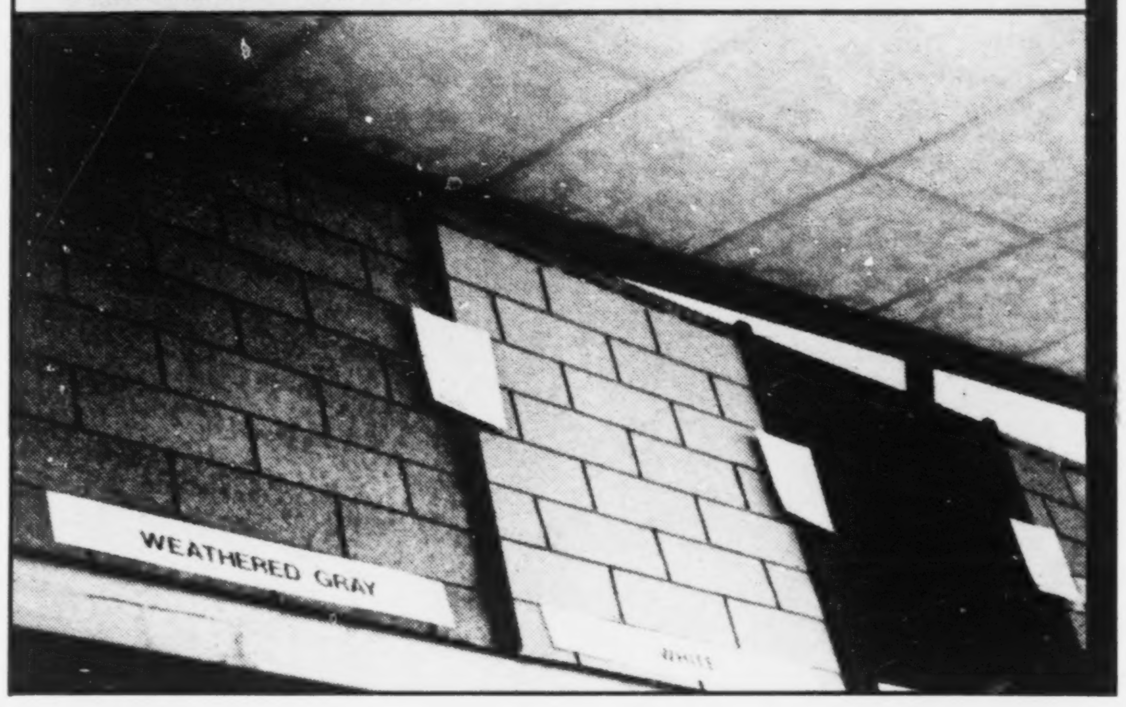
ROOFING/SIDING

Sales: $1.5 billion

Annual Turns: 5.7

Gross Margin: 26%

GMROI: 197%



Adhesives awareness

(Continued from page 29)

priced oil-based caulking primarily because of their longer life span and flexibility of use.

In addition, felt and plastic weather stripping appeared to be losing ground this year to synthetic materials used in door jambs, and threshold sweeps.

Senne said the synthetics cost about four times that of felt, but have a life expectancy of "10 times the cheaper products." He added that his synthetics products produced "excellent" turns.

Other home center dealers have found that, apart from energy promotion, adhesives sold best when cross-merchandised with products on which the adhesives would be used

"Cross-merchandising increases your inventory, but adhesives are high margin items —33% to 45%," said Pierce Williams, president of the two-unit Williams Home Center, Niles, Mich. "Cross-merchandising also reminds customers to buy and salespersons to sell such items. Often, the major purchase is on their minds, and they forget about the accessories."

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Boise Cascade

(Continued from page 30)

promotions, such as how-to houses and shows.

The chain held its third annual how-to home improvement show in Boise earlier this month and had hoped to draw more than the 24,000 consumers who came to the 1980 event. More than 70 manufacturers demonstrated their products, gave out special discount coupons and conducted special DIY classes.

"The purpose of the show is to provide information to enable the average do-it-yourselfer to accomplish his or her home improvement projects in a more efficient and less costly manner," said Mike Galloway, the show's coordinator.

BOISE CASCADE

	1981	1980
Units	96	103
Sales	$325 mil.	$325.7 mil.
% DIY	47	47

Source: NHCN

The company continued a program to close stores not up to acceptable profit levels. Units closed thus far in 1981 include Fort Smith and Lowell, Ark., Delta, Colo. and Hillsboro, Ore. Boise Cascade also replaced its Madera, Calif., outlet.

Forest City

CLEVELAND—Trying to rebound from a disastrous earnings year in 1980, 21-unit Forest City is looking to expand its horizons in Chicago and solidify its market positions in Cleveland and Detroit.

Retail president Edward Seymour, who joined the company in September 1980, reported that the chain would have sales of $118 million in 1981, a 9.3% increase over last year's $108 million.

The company's retail division suffered an earnings slide of $2,649,000 in 1980, however, and is trying to right itself through aggressive promotions, increased advertising and a conscious effort to revive its home center image.

This has been particularly true in Chicago, where plumbing, paint, electricals and other higher-markup products are displayed in the front of Forest City's newest unit in Brickyard, with housewares and seasonals used to increase customer traffic.

FOREST CITY

	1981 (proj.)	1980
Units	21	21
Sales	$118 mil.	$108 mil.
% DIY	96	95

Source: NHCN

Seymour said the chain would be using the Brickyard unit as a prototype of sorts, as it begins a major expansion effort that reportedly will result in Forest City having 10-12 stores in the Windy City. It currently has four.

The automotives departments in the Chicago stores, which carry about 1,400 sku's, have been successful for the chain, with sales up between 180% and 200%. Forest City officials installed its automotives program in its Cleveland and Detroit stores late last year.

In all its markets, Forest City will continue to carry an estimated 30,000 sku's in stores that average 65,000 sq. ft.

Seymour noted that the chain has greatly expanded its floor coverings department, and has been experimenting with or testing electronics and home security products this year.

He also indicated that the stores would reduce the size of their heating and fireplace shops.

The stores have been "fact tagging" such items as ceiling fans, weather stripping and kerosene heaters as energy saving products.

Forest City is a force in each of its markets primarily because of its advertising, which totaled 3.2% of sales, or $3.78 million, this year. Five per cent goes to radio, 30% to newspapers, 50% to circulars and another 5% to direct mail.

Whether the company will be able to snap out of its net profit doldrums remains to be seen, but Seymour is hopeful that things are changing for the better. He indicated to *NHCN* recently that the eight Detroit stores would definitely be showing a profit this year.

Chains stick with stoves despite carryover problems

NATIONAL REPORT—Substantial 1980 carryover, price footballing and intensified competition made wood- and coal-burning stoves precarious product lines for home centers to carry in 1981.

However, while stove sales for the winter of 1980-81 slumped 15%-30%, and mass merchants threaten to flood the market with their 1980 overstock at vastly reduced prices (*NHCN*, Aug. 3), retailers remain committed to the stoves and are looking forward to considerably increased sales of the new catalytic stove models.

In fact, at this year's Wood Heating Alliance show in New Orleans, specialty stove dealers expressed trepidation about the emergence of home centers as major retail stove outlets.

"Don't ignore the home center or mass merchandiser," warned Bob Gaylord, vp-sales for Franklin Industries, Warwick, R.I., which at that time was the sole manufacturer of catalytic stoves (*NHCN*, March 16).

Catalytic wood-burning stoves, with energy-efficiency of 80%-90% are expected to "revolutionize the stove business," according to one Midwest home center buyer, who echoed the enthusiasm of several others in the industry (*NHCN*, Feb. 2).

An important selling feature of the catalytic stoves was minimum creosote buildup in the stove's chimney, reducing fire hazards and maintenance. Plus, the units emit no smoke or odor.

The one drawback to the stoves is their price, which can be as high as $1,200, with one manufacturing source indicating that the cost would "more likely go up than come down," in the future.

"The price points are a little scary," said Harry Gorban, general merchandise manager for Thrifty's, New Haven, Conn. "When you go beyond a certain price point—like $500—the product has to have customer recognition."

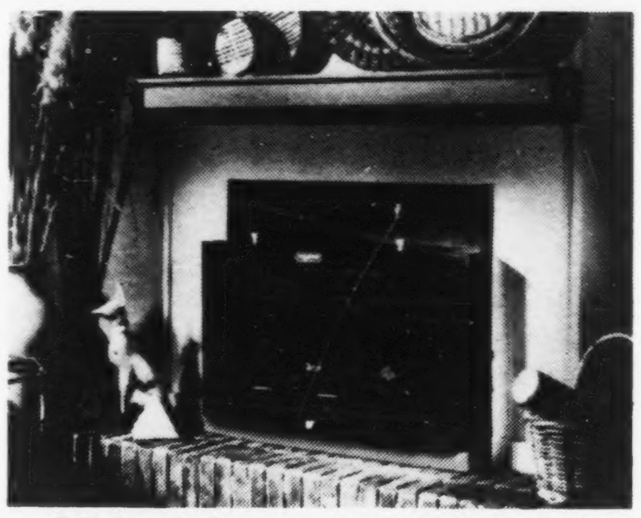
Catalytics will be competing this winter with wood/coal combo stove units, which showed strong sales growth last winter (*NHCN*, May 11). The relative availability of wood and coal, and the options these combo units give the customer have made the products more attractive, despite their $600 average retail price.

"Wood and coal are both going to be expensive," said Gorban. "This will add to the confusion, so customers will seek out options."

With well over six million homes burning wood, according to the Wood Heating Alliance (*NHCN*, March 16), the increase in wood stove sales has brought the Consumer Product Safety Commission into the pic-

(Continued on page 39)

Grate On Your Competitions' Nerves.



Sell Apache Inserts and watch the fireworks.

When word gets out you're selling Apache Stoves, keep a close eye on your competition.

In no time, they'll be climbing the walls. Biting their nails.

All because you're selling a stove that has your sales figures climbing the charts.

Not every woodstove has such a startling impact on sales. Because, frankly, not every woodstove has things like a removable ash drawer. Handles that cool to the touch. Side-mounted blowers or laboratory approval to U.L. Standard 1482.

Fewer stoves, still, have Apache's flexible financing plans or protected territories. Or inventory for immediate delivery. And not all woodstoves are backed by one of the most comprehensive advertising programs in the business.

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But if you really want to grate on your competitions' nerves, offer your customers Apache's latest innovations: optional Vycor glass doors and the Apache coal grate.

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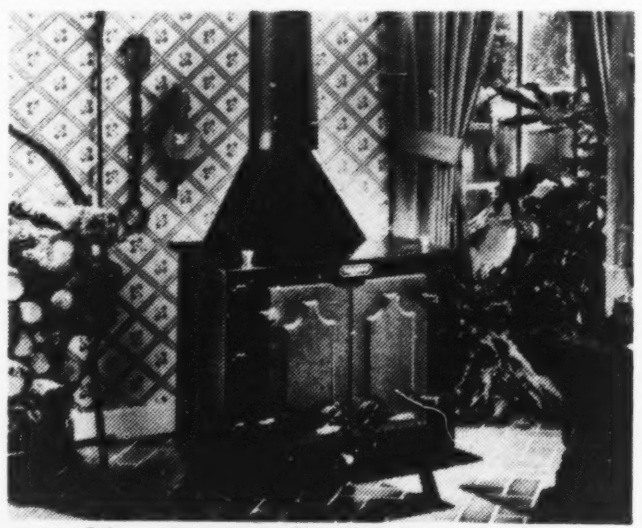
So if being an Apache distributor or dealer appeals to you, contact Tom Phillips. He'll tell you success stories that will give you goose bumps. Apache Stoves, Route 4, Box 253, China Grove, NC 28023. (704) 857-6174.



It's easy to see why other free-standing stoves don't stand a chance.

Apache Stove™

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Pergament

MELVILLE, N.Y.—Pergament, with 37 stores in New York and New Jersey, broke the $100 million sales mark this year.

The firm, which evolved from a paint background and has traditionally been decorator oriented, also placed a new emphasis on lumber, increasing lumber departments by as much as 40% at 27 of its stores.

Warehouse space was more than doubled to a total of 200,000 sq. ft. Although the three store openings planned for 1982 will be in Westchester and Long Island, the increased warehouse capability will allow wider expansion. Pergament is looking for real estate in Pennsylvania and Maryland.

A Pergament store carries about 37,000 sku's and averages about 20,000 sq. ft. in size. The decorator focus continues, with 1,000 to 1,500 sku's of wall coverings. Patterns that are featured vary from store to store, aimed at customer tastes in various locations.

A new computer system expected to be in most units by year end should cut down pricing errors, since cashiers will punch in only an sku number.

PERGAMENT

	1981	1980
Units	37	36
Sales	$105 mil.	$95 mil.
% DIY	100	100

Source: NHCN

West Building Material Centers

ATLANTA—1981 has been a year of retrenchment for West Building Material Centers.

Sales for the 68-unit chain managed to remain level with last year, when West rang in an estimated $150 million. There was no store expansion.

The first half of 1981 was marked by drastic cutbacks in advertising spending, inventory and personnel levels. In short, Charles West, owner and chairman of the board, has played the same recessionary card game he played in 1974 (*NHCN*, June 22): cutback and conquor.

A company insider informed *NHCN* that thanks to sharp spending cuts in the first part of the year, West "freed up $18 million by April." West reportedly invested it promptly in Government CD's at a return rate of 18%.

"That's much more than anyone can earn in this business today," the source said. "With

(Continued on page 42)

Stove woes

(Continued from page 37)

ture, which issued warnings on proper installation, use and inspection of stoves and fireplaces in an effort to caution people about creating unexpected safety hazards while trying to improve their products' efficiency.

While catalytics and combo units will most probably generate the most excitement this winter, sales of stoves that burn only wood or coal will continue to play a significant role in home centers' stove programs.

In markets where one resource is scarcer than the other, the stove burning the more abundant fuel will continue to dominate (*NHCN*, May 11).

Shorter studs, boards are fastest movers in lumber

NATIONAL REPORT—Behold the mini stud.

Although few home center lumber buyers actually refer to them as such, reports from across the country indicate that 3 ft. to 7 ft. 2x3's and 2x4's, as well as 4 ft. and 6 ft. 1-in. boards, are among the fastest moving items in the lumber department.

At Handy City, the 53-unit Atlanta-based chain, precut 4-ft. boards are reportedly turning faster than longer lengths.

In the Minneapolis market, retail lumber buyers are similarly finding 1x4 and 1x6 #3 Common boards in 4-ft. and 6-ft. lengths are the best sellers, along with 2x4 S-dry studs in 6-ft. and 92½-in. lengths.

In southern California, both Angels Home Centers, with 15 stores, and Ole's, with 55 stores, regularly stock 2x4 green hem-fir, 2x2 and 2x3 Douglas fir, and 1x2 ripped hem-fir, in lengths as short as 6 ft.

While home center dealers have long appreciated the advantages, and the selling power, of easy-to-handle, precut boards, dimension lumber and plywood, the volume of sales of lumber under 8 ft. in length has generally caught the forest products industry by surprise.

With the devastating fall off in new home construction, the "over the shoulder" trade (as the industry still likes to call the DIY market) has suddenly emerged in the industry's eyes as a major market.

Five years ago, observed Mike Coleman, lumber buyer for 31-unit Busy Beaver, Blawnox, Pa., most dealers would look at a carload of random length lumber that arrived with a high proportion of 8-ft. and 10-ft. studs and scoff, "What good are they?"

Today, he says, those lengths are the best-selling lumber items a home center carries.

The trend toward even shorter lengths of lumber, however, apparently reflects an emerging sub market among

(Continued on page 51)

MILLWORK

Sales: $1.9 billion

Annual Turns: 3.2

Gross Margin: 33%

GMROI: 146%

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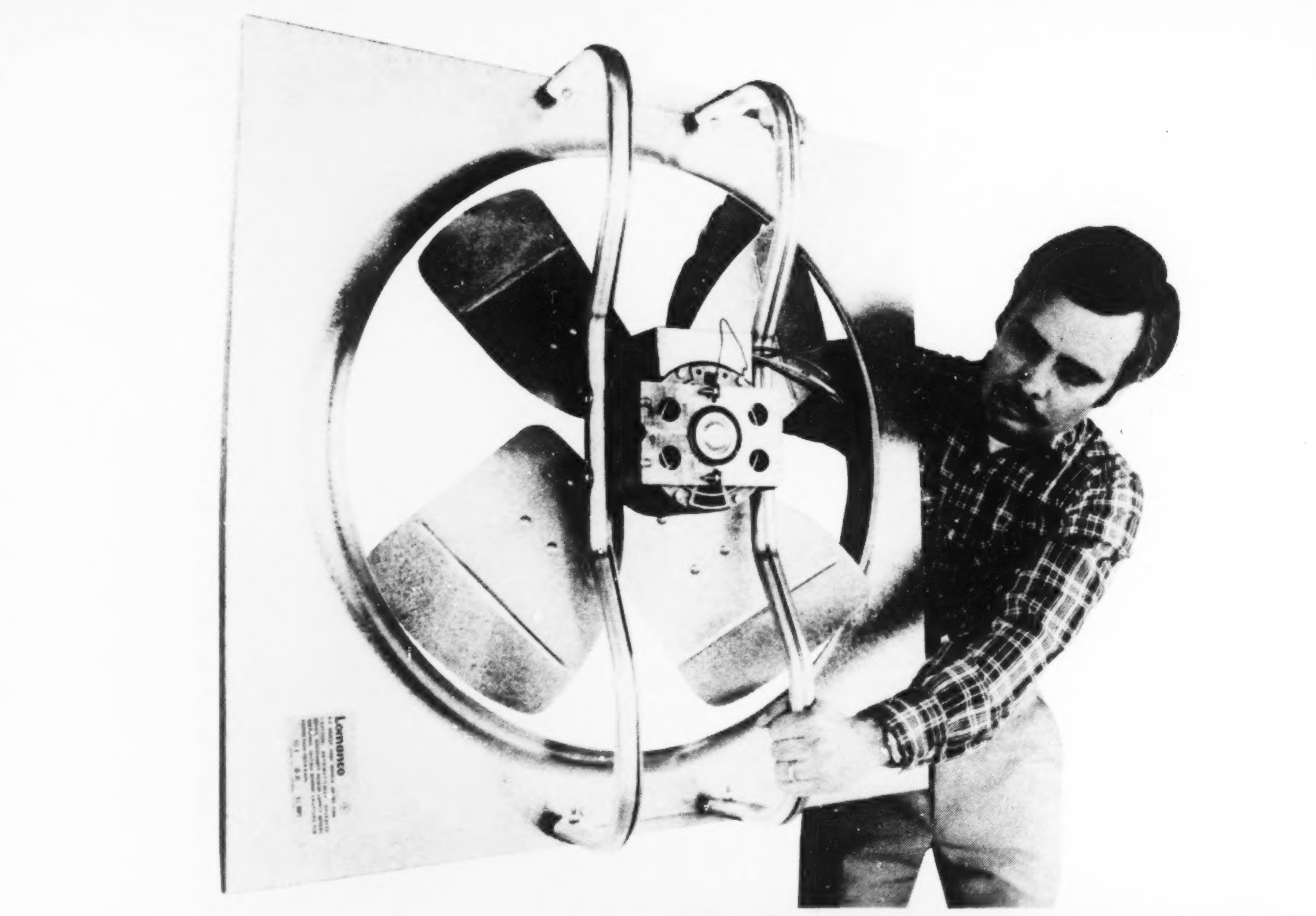

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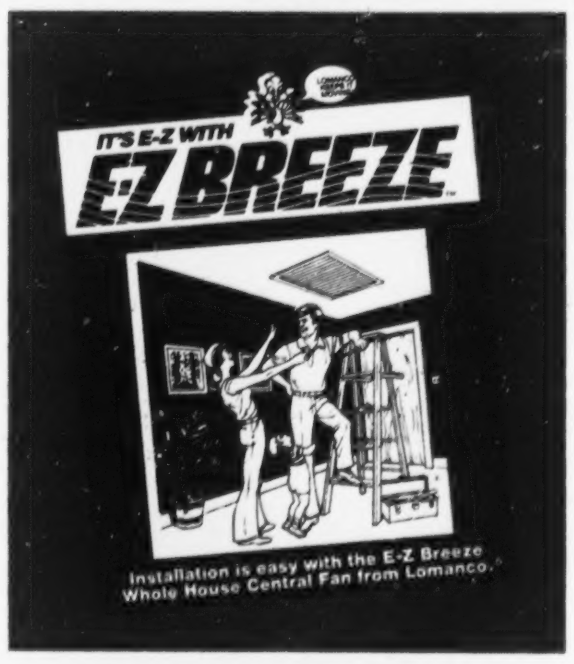
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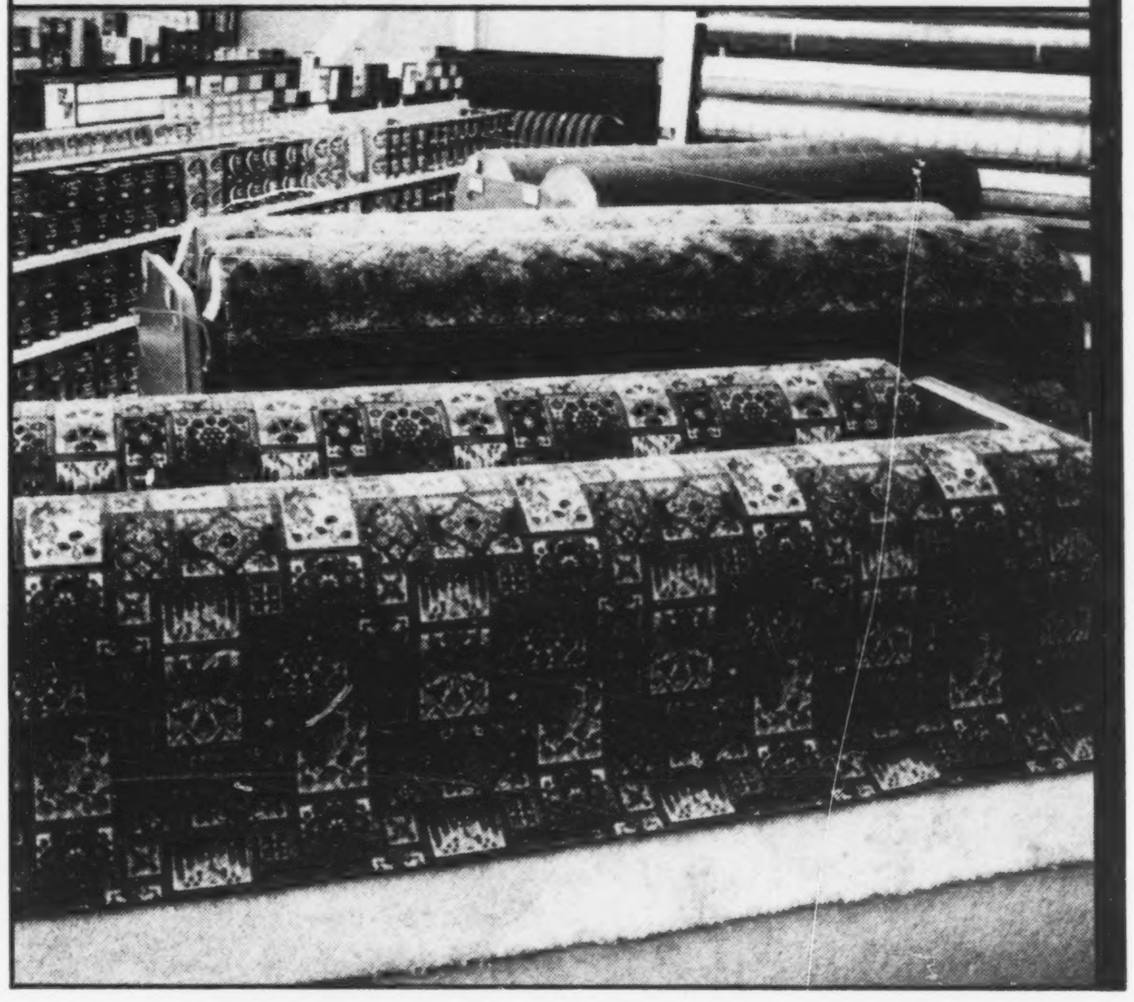
FLOOR COVERING

Sales:	**$715 million**
Annual Turns:	**5.6**
Gross Margin:	**39%**
GMROI:	**337%**



Redecorating jobs cover 74% of flooring volume

NATIONAL REPORT—Slow housing starts probably quickened home center flooring sales this year.

In 1975, 70% of floor coverings sold were for new home starts or total redecoration jobs. Just six years later that statistic has flipped dramatically, with modest redecorating jobs of one or two rooms accounting for 74% of flooring sales.

"Home centers are in a good position to take advantage of that change," said Edward S. Korczak, executive director of Chicago's Retail Floor Covering Institute, which supplied the statistics.

"The smaller job is more likely to be tackled by a do-it-yourselfer," he said. "For home center, there's a whole new market."

Indeed, 30% of flooring shoppers said they would visit a home center before making a buying decision, according to another industry survey. Almost 13% of floor-covering purchases are made in home centers, according to the same report.

Five years ago West Building Materials, Atlanta, installed a carpet department in several of its stores. Today there are carpet departments in all 69 West stores and they account for about $5 million in sales, according to merchandiser Bill Harris, who predicts that figure will double in two years.

Sheet vinyl sales were reportedly strong, up 15% to 20% over last year, at 217-store Lowe's, with the growth mostly in the $4.99 range. Rickel, South Plainfield, N.J., also had success at about the same price point.

"I find that higher priced materials don't sell particularly well," said Milton Schottenfeld, president of Dean Floor Covering, which operates the flooring departments in 21 Rickel stores.

Over the past 18 months, Rickel sheet vinyl sales have boomed 150%, according to Schottenfeld, because Dean's

(Continued on page 46)

West Building Material Centers

(Continued from page 39)

no risk."

West's austerity program, however, seems to have severely affected its home market units here, where 12 units form a 35-mile ring around the city.

One Atlanta store manager projected a $3 million sales loss from last year when his unit volume hit the $4 million mark.

Nevertheless, the West management team remains confident the chain will once again survive the economic slump and thrive when the turnaround finally comes.

WEST BUILDING MATERIAL CENTERS

	1981 (proj.)	1980
Units	68	68
Sales	$150 mil.	$150 mil.
% DIY	75	75

Source: NHCN

John Breedlove, senior vice president, purchasing, reported an upswing in sales since June, when the chain resumed a regular advertising schedule.

He predicted the chain, which has not increased its total number of stores since 1973, will add three new units in 1982.

Diamond

NORTH HIGHLANDS, Calif.—For the second year in a row, the home building slump will impact Diamond International's retail business.

Last year, Diamond's retail group, which does nearly 70% of its business with builders, saw sales decline 20% to $285 million. With little change in the housing situation this year, group officials expect similar sales for 1981.

Flat sales have not stopped the chain from acquiring additional contractor-oriented facilities, especially in the Northwest. What the figures apparently have done, however, is to alter Diamond's acquisition strategy slightly. The chain is now considering acquiring a retail-oriented chain to complement its solid core of contractor units.

DIAMOND

	1981 (proj.)	1980
Units	125	123
Sales	$280 mil.	$285 mil.
% DIY	28	28

Source: NHCN

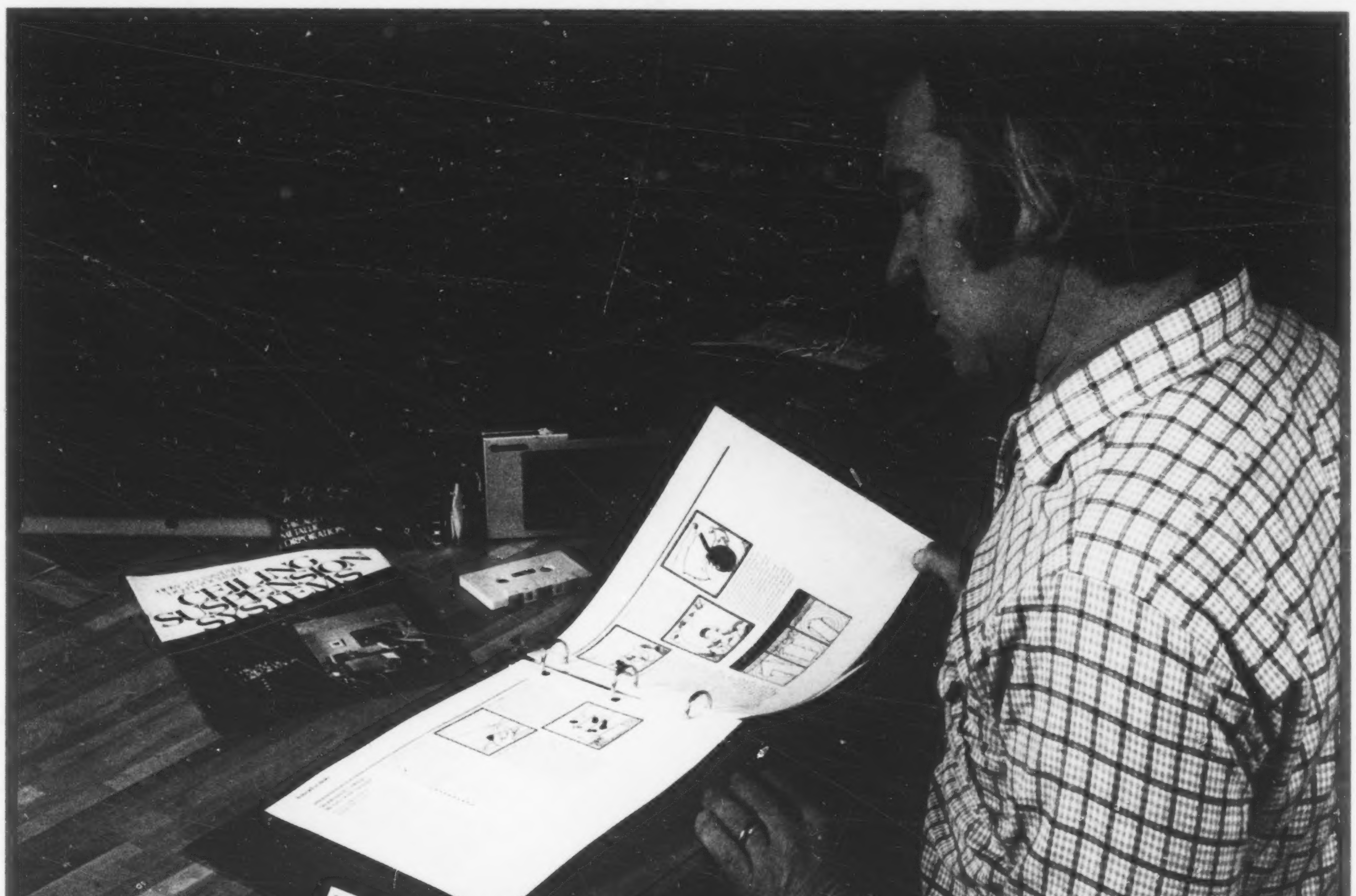
"Our vulnerability in the builder area is obvious," said Richard D. Cushman, group vice president. "When we look at the overall Diamond picture, we see we can reduce some of the troughs with different types of facilities."

It also wants to get a better grasp on its retail business.

Cushman said Diamond would consider a retail acquisition in any part of the country, but early on, it was looking in southern California for such a deal.

Searching in southern California is not new to Diamond which announced earlier this year that it wanted to expand its traditional business southward and/or westward from its southern-most California facil-

(Continued on page 45)



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Hand, power tool market remains a mixed bag

NATIONAL REPORT—Hand and power tools remain two of the more paradoxical product categories for home centers in 1981.

Customer preference for the high and low ends, domestic and imported brand names, and bench and stationary equipment continues to oscillate with retailers trying to find the right mix without financially committing themselves too heavily to any one product line.

Over the past two years, *NHCN* has frequently reported on the customer trend toward higher-end tool merchandise. There were even strong indications that consumers were willing to plunk down $350-$500 for a stationary radial arm saw or drill press in sufficient numbers to warrant home centers carrying the products.

Last year, however, preferences shifted. Bench tools sales were being augmented by higher-turning, inexpensive accessories; stationary tool sales were immobilized, and consumers began seriously looking into cheaper imported and portable power equipment. The feasibility of higher-end tool merchandising was brought into question.

In 1981, all bets are off. The direction the power and hand tool industries are headed, and where they will take home centers, is as confusing as ever.

For example, bench tools have become one of the hottest categories for several large chains, with stationary tool sales lagging badly. Much of this has to do with the comparable prices of the two lines, though consumer perception also comes into play.

As one buyer for a large Southern chain—which carries eight bench tool sku's—put it recently, "consumers are basically convinced that bench tools work almost as effectively as stationary models, and are cheaper" (*NHCN*, Aug. 17).

It should also be interesting to track the sales of Benchmark's newly revised line of Shopcraft bench tool products. Benchmark was formerly the tool division of McGraw-Edison, Jefferson City, Mo., which this year broke away from the parent company, and reaimed its entire marketing toward the DIY customer.

Cheaper, off-brand hand and portable power tools have also made inroads into markets that, in the past, had been the exclusive territory of name-brand products (*NHCN*, Aug. 17).

Retailers expressed satisfaction with the merchandising programs being offered by the nationally known tool manufacturers, but insisted that customers were shopping price more, with quality of off-brand products improving noticeably.

"A consumer's purchase comes down to value and confidence in the product, regardless of the brand name," said one southern California home center retailer. She admitted that her chain was still going primarily with name-brand tools, but remarked that certain tool products were of equal quality and could cost 30% less than the better-known merchandise. "Brand name tools will become less important," she said.

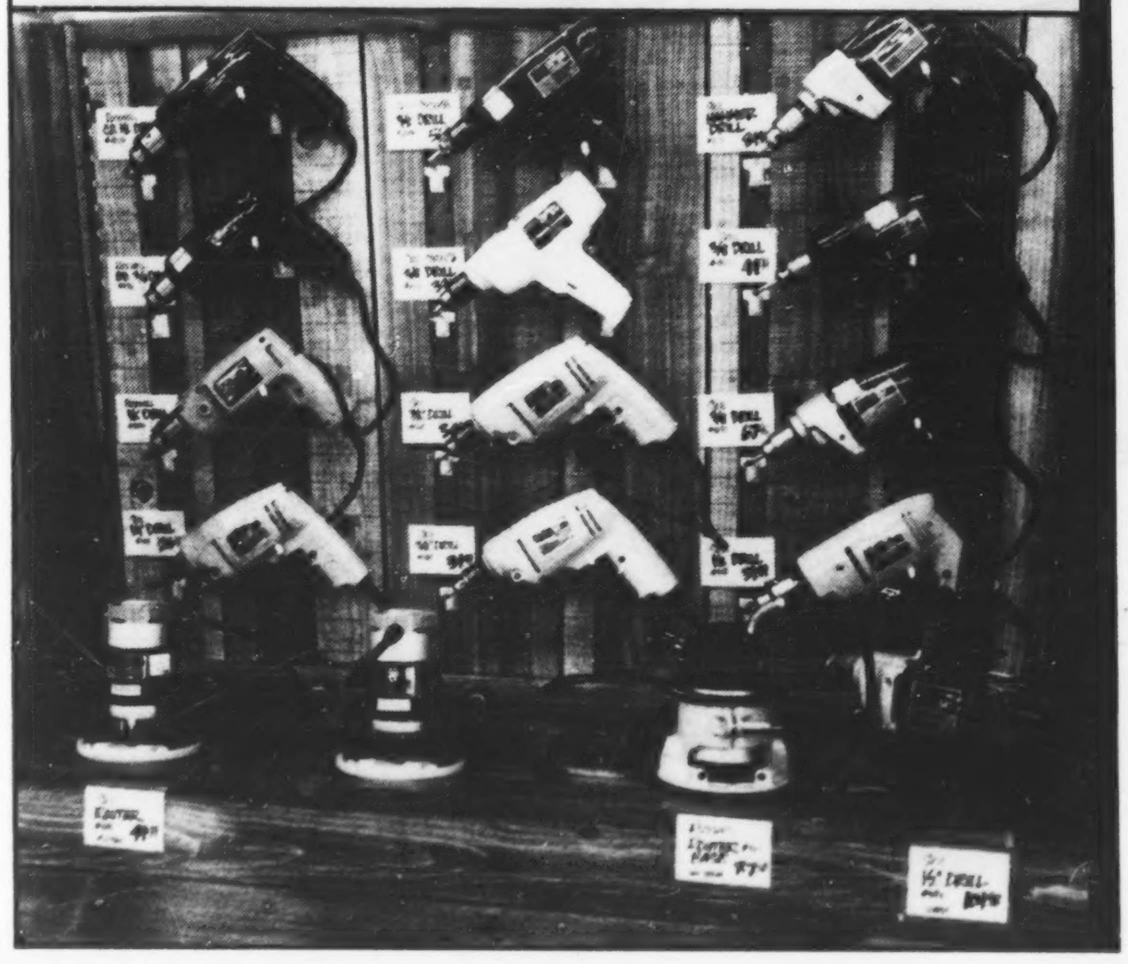
TOOLS

Sales: $1.1 billion

Annual Turns: 3.0

Gross Margin: 33%

GMROI: 133%



Diamond

(Continued from page 42)

ity in Bakersfield.

"For the immediate future and into the next two years in California," Cushman said, "we will probably be concentrating on the area between Bakersfield and north of Los Angeles."

In the meantime, the chain has continued its aggressive acquisition stance in the Northwest. Among its purchases so far this year are Troy Lumber, Lewiston, Idaho; Builders Center, Bellingham, Wash.; Dick's Lumber Service, Portland, Ore., and Livesay's Lumberyard, Woodburn, Ore. The facilities were contractor-oriented, but some have the capacity to do additional DIY trade.

In the Northeast, the chain closed an outlet in Westboro, Mass., for failing to generate enough business. The closing, part of a Diamond policy to close unsuccessful facilities, along with acquisitions and openings this year, is expected to give the chain 125 outlets by year's end.

Increased retail sales have also been a goal in other areas for the chain.

Menards

EAU CLAIRE, Wis.—The march of "brilliant eccentric" John Menard into the Madison/Milwaukee area was halted during 1981 by the faltering economy.

A plan for three simultaneous Menard Cashway openings in the Milwaukee area was shelved last spring, although an insider stated that "at least one" store would open in the Milwaukee area by next summer. Menards currently operates 15 units in Wisconsin, Minnesota and Iowa. One new store was opened during 1981.

NHCN estimates Menards' 1981 sales at $132 million, up from an estimate of $115 million

(Continued on page 46)

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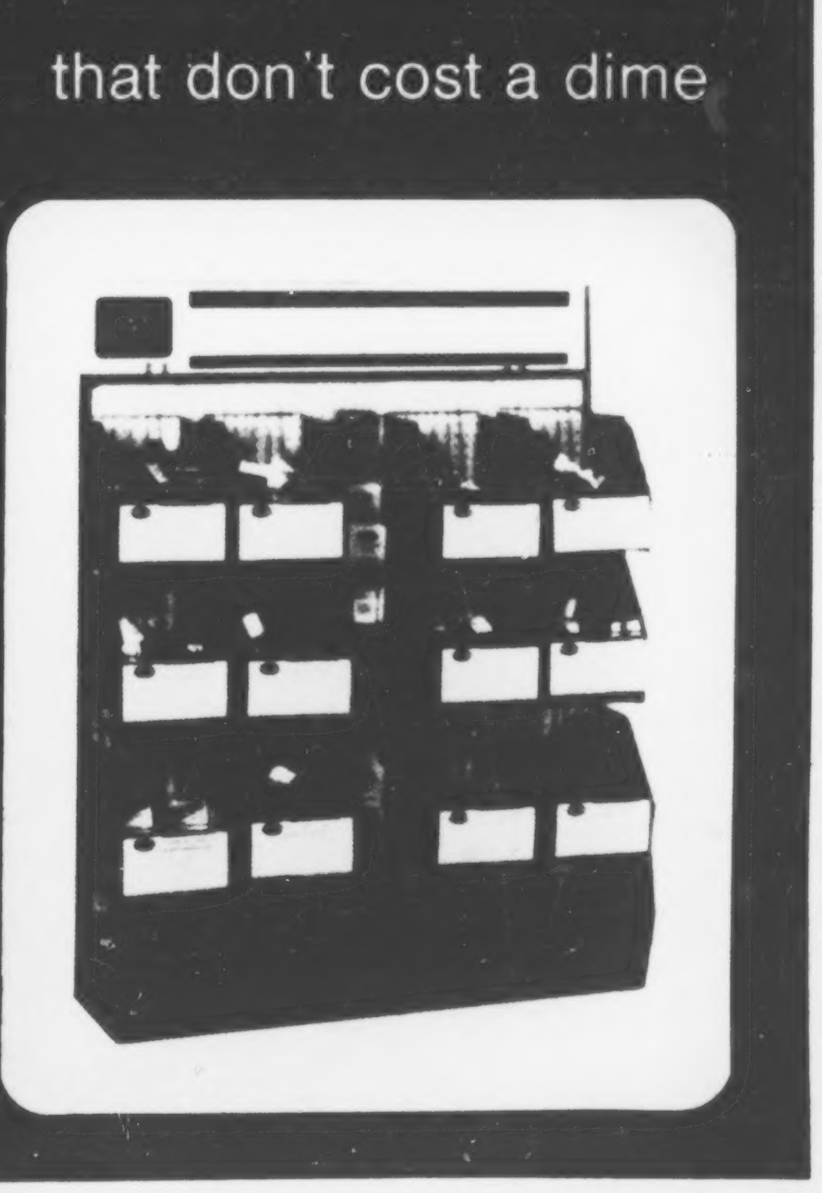

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ELECTRICAL

Sales: $1.2 billion

Annual Turns: 2.7

Gross Margin: 35%

GMROI: 135%

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Menards

(Continued from page 45)

in 1980.

Insiders say Menard's aim is 25 units dotting the North Central states by 1985 and 40 by 1990.

Sources indicate that sales for the 85% DIY chain's largest, most successful stores reach about $10 million a year. One insider insisted some units' annual sales figures hit the $18 million mark.

Menards is reportedly the heaviest home center advertiser in the Twin Cities area. According to the Television Bureau of Advertising, the chain invested $230,500 in TV advertising during the first half of 1981.

MENARDS CASHWAY

	1981 (proj.)	1980
Units	15	14
Sales	$132 mil.	$115 mil.
% DIY	85	85

Source: NHCN

National Lumber

SANTA ANA, Calif.—In an expansion drive, National Lumber opened three new stores during 1981.

The 12-unit chain, which usually opens one store per year, continued to be the envy of most home center operators, with a $9-million-per-store average sales volume.

National's 1981 sales are projected at $90 million, up 29% from the 1980 total of $70 million.

Although the earnings statements of the family-run operation are kept under wraps, an indication of the chain's wealth is that the last four new stores were opened with the company's own cash reserves.

Of the chain's three new stores, two were opened at locations outside the Los Angeles area: one in Riverside and another, which opened this month, in Palm Springs. In 1982, National will return to its one-store-per-year growth rate.

NATIONAL LUMBER

	1981 (proj.)	1980
Units	12	10
Sales	$90 mil.	$70 mil.
% DIY	100	100

Source: NHCN

In 1980, the company was fourth among the nation's home center chains in television advertising, according to the Television Bureau of Advertising, spending $615,700. The company spends 4% to 5% of sales on advertising, approximately $4 million in 1981. National mails out 11 million catalogs annually and advertises in 22 newspapers.

Hugh M. Woods

DENVER—Hugh M. Woods added two stores this year and for the first time expanded beyond the Denver-Boulder market, with a 30,000-sq.-ft. unit on seven acres in Colorado Springs.

Sales for fiscal 1981, which ended in April, reached almost $80 million, a jump of about

(Continued on page 50)

HUGH M. WOODS

	1981	1980
Units	12	10
Sales	$80 mil.	$61 mil.
% DIY	80	80

Source: NHCN

Flooring

(Continued from page 42)

carpet cutting machine enabled the chain to merchandise sheet vinyl in remant form, as well as off the roll.

Artificial turf sales remained steady in home centers this year. Although manufacturers introduced new colors and textures, basic green remained the predominant favorite among DIYers, who also preferred the turf in easier-to-handle 6-ft. widths.

Ed Clifford, buyer at 277-store Wickes, expects to see a turf sales increase of 12% to 15% this year, continuing the generally steady growth the chain has seen since first carrying the product about seven years ago. Most of the sales are expected to be in the narrower width.

"Future turf sales may be positively affected by the increased number of people improving their homes rather than moving," Clifford said. "But many of these people are building decks, which generally do not take artificial turf."

One manufacturer is introducing new packaging aimed at convincing DIYers that turf is not a seasonal purchase, because the product has many indoor applications.

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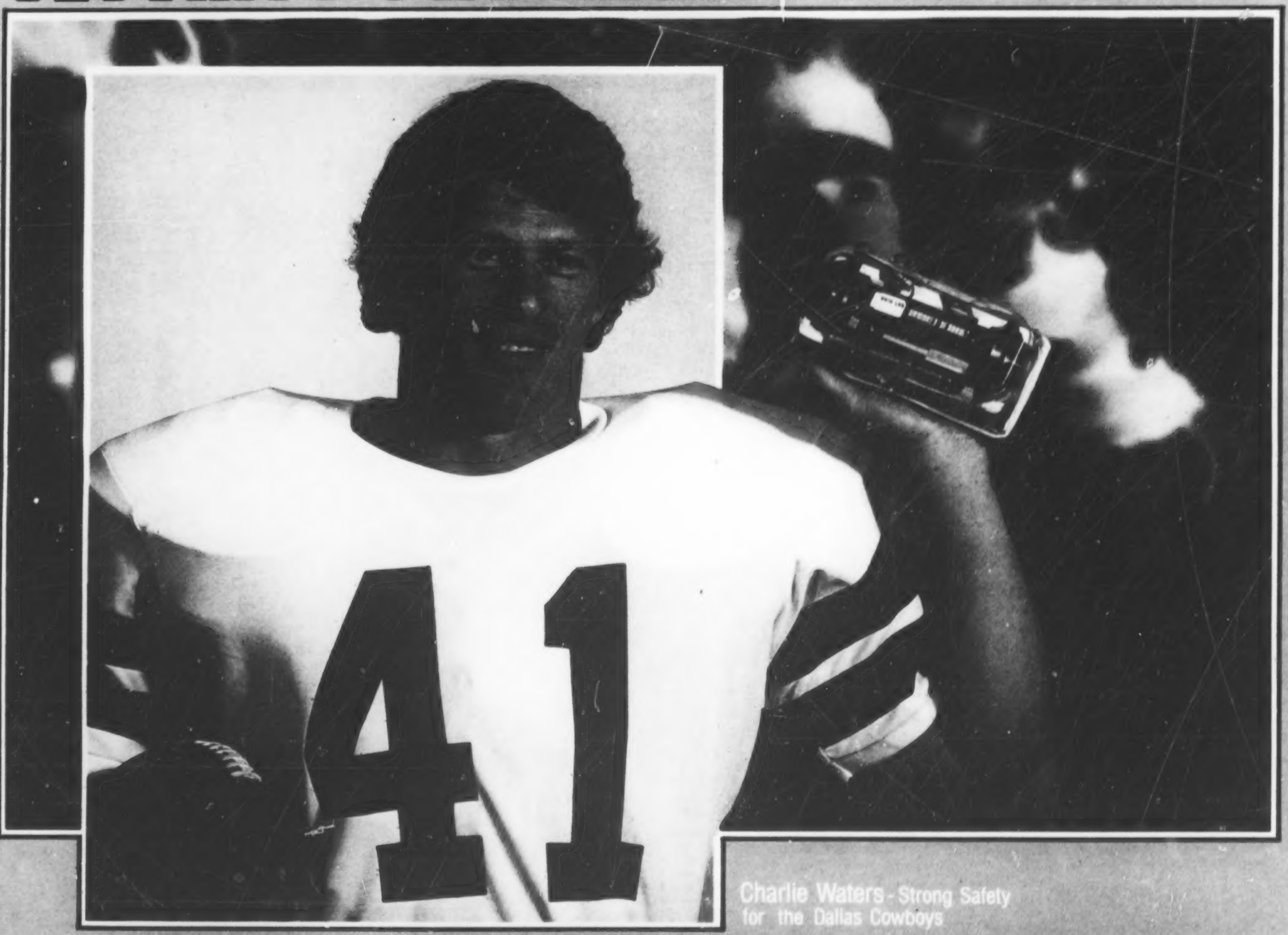

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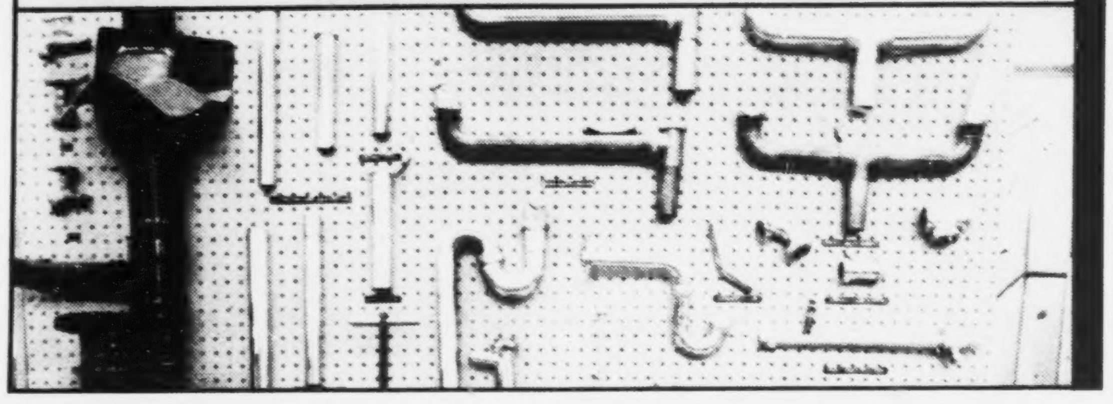
PLUMBING

Sales: $1.5 billion

Annual Turns: 3.0

Gross Margin: 36%

GMROI: 152%



Trade-up trend, packaging boost plumbing sales 25%

NATIONAL REPORT—Better point-of-sale packaging, increased retail volume from plastic pipes and fittings, and a marked inclination toward higher-end merchandise have resulted in many home center plumbing departments' sales jumping 25% or better in 1981.

The significantly improved packaging was probably the most welcome surprise to retailers who have, in the past, lamented the decline, both in numbers and quality, of their sales force.

"We've been good and bad as far as customer service is concerned," said Dale Denniston, buyer for the 87-unit Scotty's chain, Winter Haven, Fla. "So we really need that packaging to explain and sell the plumbing items. Finally, the manufacturers have come through for us" (*NHCN*, Aug. 17).

Scotty's carried in excess of 850 sku's, and it seems that many home centers were confident enough in their plumbing departments this year to widen the range of products they carry. The 50%-60% average maintained margin this product category promises did not hinder this merchandising decision, either.

Retailers expanded their plumbing product lines in many directions in 1981. This was particularly evident in the number of retailers taking on additional sku's of plastic plumbing, including polybutylene (PB) tubing.

"I've been in the plumbing business for 14 years, and I have never seen a product as foolproof as this one [PB]," said Charles Irons, buyer for the six-unit Masten Lumber and Supply. This Milford, Del., chain has seen BP turn 12-14 times annually at a margin rate of 60%-70%.

While not all home centers have had the same degree of success, many have reported to *NHCN* that, because plumbing code restrictions have eased, residential use of plastic plumbing has become more common.

Retailers have also looked to stock higher-end merchandise in their departments as a way of combating pressure from discounters and accommodating a more sophisticated consumer looking to turn his bathroom into a more decorative living area.

For instance, dealers noted that brand names like Kohler, American Standard and Crane—all leading high-end plumbing fixture manufacturers—would be represented in their stores by year's end.

"We're going with high-end bath fixtures as often and as aggressively as we can," said Jim O'Donnell, buyer for the six-unit Lumberjack Stores, Sacramento, Calif. (*NHCN*, Aug. 17).

This merchandising strategy is even reflected in smaller items such as shower heads, which rarely make up more than 2%-5% of a store's plumbing volume. For instance, the four-unit Economy Lumber, Denver, is one of several chains reportedly promoting the higher-end heads actively in 1981.

"The market is kind of funny," said vp Steve Stookesberry. "Sometimes, people just shop price, but when it comes to buying a head for their personal use, they'll usually spend the extra money" (*NHCN*, May 25).

Hugh M. Woods

(Continued from page 46)

30% over the $61 million recorded the year before.

Strong sales were attributed to mild weather during the winter.

Earnings climbed about 25% over last year, a healthy growth but less than the 40% hike between 1979 and 1980.

Stores added this year brought the total to 12, with two more expected to be in operation by the end of 1982, continuing the chain's pattern of steady growth.

A Woods home center carries about 20,000 sku's, with sales per square foot averaging about $216.

The chain is completely cash and carry with 80% DIY customers and the rest small contractors.

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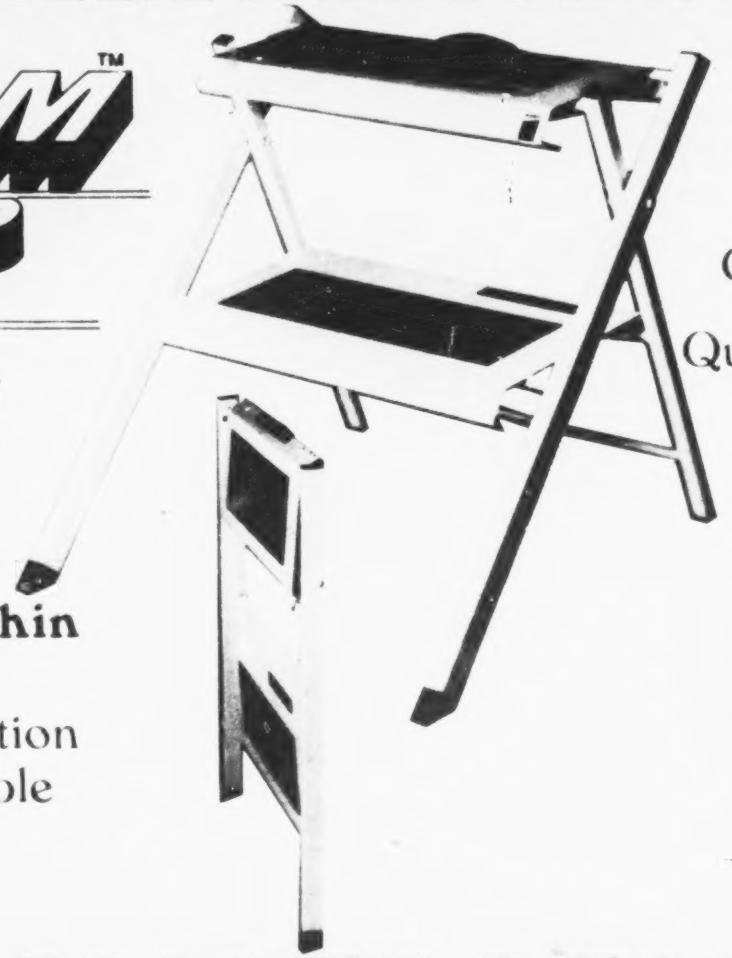

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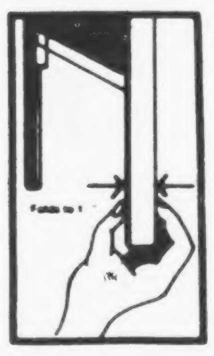

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McCoy's Building Centers

SAN MARCOS, Tex.—A 28% increase in sales and the addition of four new outlets highlighted 1981 for McCoy's Building Supply Centers.

Chain president Emmett McCoy said the chain, which will have 33 units by year's end, expects to do $98 million in sales compared with the $76 million in volume it captured in 1980.

The new stores, located in Beaumont, Palestine, Pharr and Bryan-College Station, Tex., are all 15,000 sq. ft. on three to four acres of land with a warehouse, storage building and parking lot.

The chain expects to have five new stores in 1982, bringing its total to 38. The sites have not yet been determined.

McCoy's will again draw 80% of its business from DIY retail sales, and McCoy said things have been "pretty quiet" at the chain.

McCOY'S BUILDING CENTERS

	1981 (proj.)	1980
Units	33	28
Sales	$98 mil.	$76 mil.
% DIY	80	80

Source: NHCN

"We've had no significant personnel changes in the last nine months," he stated. "It's been business as usual. We're pretty satisfied with the people we have working for us [McCoy's is a family-run company with four family members in executive positions] and the product mix in our stores."

He also noted that while high interest rates have been a real problem in his southeast Texas market, they haven't affected his business as drastically as at other home centers.

Erb Lumber

BIRMINGHAM, Mich.—A depressed home building market, tight money and inflation were blamed for Erb Lumber's continuing sales decline.

Nevertheless, Erb chairman Fred A. Erb told *NHCN* that he is confident the chain's six Detroit area stores will make money this year despite the region's sluggish economy.

One reason for that show of confidence might be the $400,000 advertising campaign on behalf of the Detroit stores aimed at combating arch competitor Forest City, operator of eight stores in the area.

Erb's 1981 sales are estimated by *NHCN* at $104 million, down from a 1980 total of $118.9 million. The chain operates 36 stores in six states. No new stores were opened during 1981, and none are planned for 1982.

ERB LUMBER

	1981 (proj.)	1980
Units	36	35
Sales	$104 mil.	$118.9 mil.
% DIY	66	65

Source: NHCN

Construction continued on a 21-acre builder distribution center in Mount Clemens, Mich., at Erb's 68-acre industrial park. The facility, scheduled for a spring opening, will consolidate the rough and trim lumber facilities and the cabinet and window distribution centers.

In April, Erb acquired Smith Lumber & Supply of Grand Rapids, a 65% DIY unit. The store, which now goes under the Erb Lumber name, had approximately $7.5 million in sales during 1980.

Plywood Minnesota –

MINNEAPOLIS—The breakaway of Plywood Minnesota's 44 franchised units could well mark the beginning of the chain's exit from the home center industry.

On Sept. 1, owner Sen. Rudy Boschwitz finalized the sale of the franchise portion of his chain to 10 company veterans. (*NHCN*, Sept. 14).

"It was a great mutiny," the pleased Senator wrote in a letter to *NHCN* (Sept. 28.). "There I was walking the plank, and just as I was about to jump they slipped me millions, which sure softened the fall."

Industry watchers are now speculating the busy Washington politician made the move as a first step in selling all of Plywood Minnesota. As one insider observed, it will be a lot

(Continued on page 52)

Short studs

(Continued from page 39)

DIYers for smaller wood projects, such as building a workbench or a book case. While many DIYers are willing to tackle interior remodeling projects requiring shorter lengths of dimension lumber, fewer of them, it seems, want to get involved with room additions requiring standard length studs, and longer dimension lumber.

Shelving projects continue to account for a large proportion of the lumber moving past the cash register, according to retailers, although none could provide any specific measure.

Home center operators report the best-selling shelving tends to be selected common, either #2 and better, or #3 common western pine. While the smaller outlets reportedly stock one or two widths, typically 1x12, and cut to length, home centers getting the highest turns offer a complete range of sizes and widths.

Retailers, generally across the country, also continue to report a preference for dry wood, citing its stability inside air-conditioned stores.

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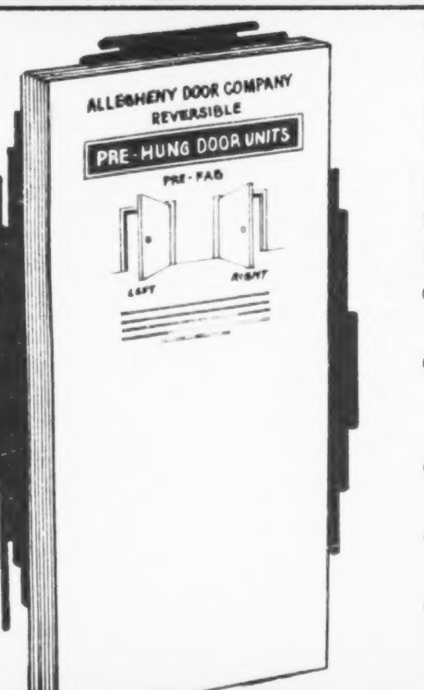
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GMROI: 139%

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Chains fine tuning automotive dept. mix

NATIONAL REPORT—Many home center chains and independents that want to carry automotive products are fine tuning the departments to get the correct mix of merchandise.

Canada's Beaver Lumber is reducing its commitment to automotives with a plan that included 25% off merchandise through August and 50% off in the last two months.

Items such as plugs, points, filters, books, paint and seat cushions are now scheduled to be marked as low as necessary to sell, according to buyer John Dickson.

The automotive news from the Toronto, Ontario chain is not all negative, however. Beaver Lumber is maintaining windshield wiper fluid, scrapers, antifreeze and motor oil, Dickson said. In fact, it is adding brand name products to its oil and antifreeze selections.

It will also continue promoting oil at reduced prices and tie-in spouts and pans at regular margins, Dickson said.

Busy Beaver, Blawnox, Pa., has also cut automotives from 56 to 24 running feet, according to buyer Frank Schutzman.

"Automotives was too big to have just the cream and too small to be a factor," Schutzman said. "We're up against retailers with much more space in it. The main purpose for us now is to run items as traffic builders and appeal to the impulse buyer."

Gone from the chain are chrome mirrors, books, plugs, distributor caps, quartz lights, mats and some finishing tools. Remaining are waxes, chemicals, solvents, oil and antifreeze.

All American Home Center, Downey, Calif., dropped its automotive parts department at the beginning of the year because there was too much product to stock and because it lacked the necessary skilled sales help.

Plywood Minnesota –

(Continued from page 51)

easier to sell the company now that the cumbersome franchise group is not part of the deal.

For the present, however, all parties involved in the sale are pleased.

Boschwitz said, "It surely strengthens the parent company, and my hope and desire is that it strengthens the franchisees as well."

The Rochester, Minn.-based group which bought the 44-unit franchise operation is currently called PMI, an abbreviation for Plywood Minnesota.

PLYWOOD MINNESOTA
(includes Drexel)

	1981 (proj.)	1980
Units	20	64
Sales	$37.4 mil.	$57.6 mil.
% DIY	100	100

Source: NHCN

A new name will be adopted within the next six to 12 months, according to the new company president George Sheer. It will undoubtedly relieve the chain of the burdensome misnomer of being a plywood-related company, he noted.

The dollar value of the deal was not available.

However, Sheer indicated the franchise stores, mostly located in rural markets, accounted for about 35% of the chain's total volume.

According to *NHCN* estimates, that leaves Boschwitz with 20 units pulling in approximately $37.4 million in sales this year.

Last year, the then 64-unit, decoratives-oriented chain did some $57.6 million worth of DIY business.

The sale of these 44 units comes in the wake of a host of leadership problems and changes at Plywood Minnesota. In fact, the chain is already on its third administration in three years.

Busy Beaver ———

BLAWNOX, Pa.—Busy Beaver Building Centers resumed its expansion program during 1981 following a two-year lull, with the opening of its 31st store in Niles, Ohio.

NHCN estimated the chain's 1981 sales at $85 million, up from a 1980 estimate of $78 million.

DIY sales accounted for 70% of sales during 1981, up from 68% in 1980. The chain plans to open between two and four new units during 1982.

Merchandise categories added during 1981 included wood burning stoves (in 20 stores), ceiling fans, and an installation service. Busy Beaver is presently considering adding stationary tools and safes to its product inventory. The chain dropped its automotive line during 1981.

Busy Beaver spends 3% of its retail sales on advertising, approximately $2.5 million in 1981.

BUSY BEAVER

	1981 (proj.)	1980
Units	31	30
Sales	$85 mil.	$78 mil.
% DIY	70	68

Source: *NHCN*

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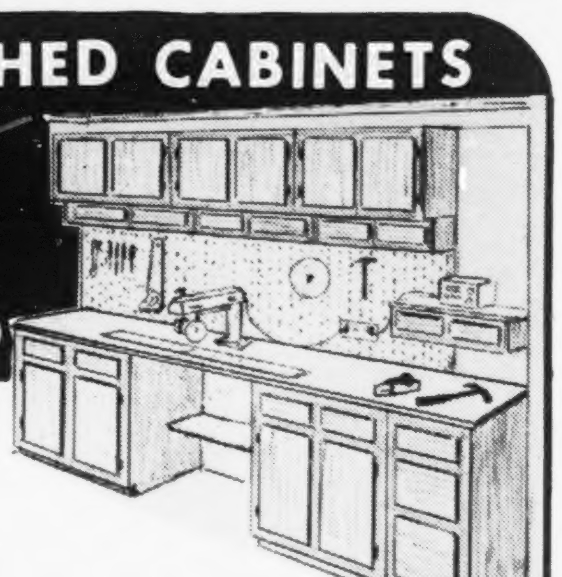
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More than they Bargained for
THE RISE AND FALL OF KORVETTES
Isadore Barmash

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Isadore Barmash has been Assistant Financial Editor and retailing specialist for *The New York Times* for many years, and has authored countless articles and books. He has followed the course of Korvettes' fortunes over two decades, exhaustively researched his subject, and personally interviewed *every principal protagonist* of the Korvettes drama. *Code #533/$14.95*

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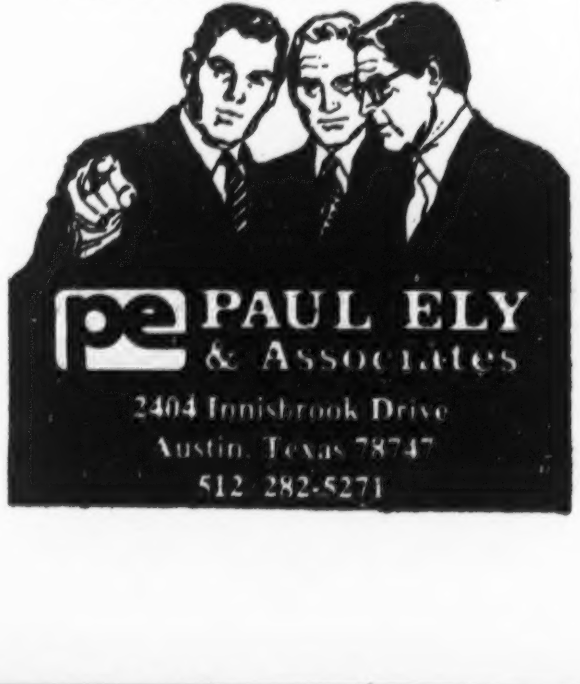

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Wolohan

SAGINAW, Mich.—Wolohan Lumber began the long trek back to profitability with the hiring in September 1980 of David Wallace as president and chief operating officer. The chain had experienced a 27% drop in sales in 1980 to $99,600,000 and a dramatic 80% earnings decline to $796,000.

The 35-store chain appears to be on the upswing with second-quarter 1981 net income up to $395,000, a better than 35% improvement over the same period in 1980. First-half 1981 sales totals of $43,727,000 are about equal to the 1980 first-half figure. *NHCN* estimates that the final 1981 sales total will be $95 million. Wallace optimistically envisions $300 million sales and 50 stores by 1985.

WOLOHAN LUMBER

	1981 (proj.)	1980
Units	35	34
Sales	$95 mil.	$99.6 mil.
% DIY	60	54

Source: *NHCN*

Chairman and chief executive officer Richard V. Wolohan attributed the dismal 1980 performance to the chain's delay in entering the DIY field, which now accounts for 60% of sales, up from 35% in 1977. Housing starts in 1980 were down more than 38% in the North Central States where Wolohan operates.

Collectively, Wolohan's contractor sales in Illinois, Indiana, Ohio, Kentucky, Michigan and Wisconsin plunged 42% last year, while DIY sales, hurt by mounting regional unemployment, fell 6% from 1979.

Lumberjack

SACRAMENTO, Calif.—Further expansion into the solar heating DIY field and the opening of the chain's sixth unit were some of the highlights in 1981 for Lumberjack Stores.

During fiscal 1980 the 90% DIY chain had sales of $50,000,000 with 1981 projected sales estimated at $60,000,000. The opening of the chain's sixth store at Auburn, Calif., during July of this year boosted monthly sales by 40% as compared to July 1980, according to vice president Tim Steiner.

Festivities marking the grand opening of the 25,000-sq.-ft. outlet included a country western band, the first time Lumberjack used entertainment at an opening, and judging from the reported response, certainly not the last.

LUMBERJACK STORES

	1981 (proj.)	1980
Units	6	5
Sales	$60 mil.	$50 mil.
% DIY	90	90

Source: *NHCN*

As of July 1, all Lumberjack outlets were offering solar swimming pool and domestic hot water installations at an average price of $2,500. The chain has its own licensed crew of installers to provide the service.

Solar water heaters should generate sales of approximately $1.5 million for the chain this year with sales currently split 50/50 between spa/pool heaters and domestic heaters.

Lumberjack also added lawn and garden and furniture to its merchandise categories during 1981.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Previous Sales*	% Change	Current Earnings*	Previous Earnings*	% Change
Diamond International	9/13-12 wks.	$318,700	$304,795	5	$5,400	$9,209	−41
Interco	8/31-2nd qtr.	713,664	599,125	19	32,308	29,778	8
Pay 'N Pak	8/31-2nd qtr.	49,319	42,474	16	1,859	1,687	10

*$ in thousands

Sept. sales drop 3% for Lowe's

NORTH WILKESBORO, N.C.—Lowe's suffered its second consecutive month of lower sales with its professional business accounting for all of the decrease once again.

In the four-week period ended Sept. 26, the 218-store chain's sales fell 3% to $70.3 million while builder sales were decreasing 21% to $31.0 million as compared to the same period a year ago, company officials said.

In August, Lowe's sales took an 8% dive with builder sales off 19% as compared to August 1980.

Retail volume was a bright spot for the company in the September period. DIY sales rose 20% to $39.4 million from the four weeks ended Sept. 27, 1980 to give the chain a 56-44 consumer-contractor business mix for last month, officials said.

Wall Street has noticed Lowe's recent professional business slump, brought about by high interest rates and the depressed home building industry.

In a report from stockbroker Smith Barney Harris Upham, New York, vice president Barbara T. Alexander said, "With extremely depressed volume and weak pricing, Lowe's professional builder business is operating at about the breakeven level."

The company has lowered Lowe's full-year earnings estimate, saying that income will equal 1980's figure. Lowe's net earnings last year totaled $18,891,000 and first-half earnings this year were up 5% from last year to $9,872,000.

In another development, Lowe's shareholders at a special meeting approved a proposal to increase the company's authorized common shares from 20 million to 50 million to accommodate future need for shares (*NHCN*, Sept. 14).

Lowe's directors then implemented a planned 3 for 2 stock split of the existing 13,022,126 shares after approval of the increase in authorized common shares. They split the stock to set the price per share at an attractive trading level, according to Leonard G. Herring, Lowe's president and ceo.

Mirror tiles

(Continued from page 3)

Hancock said the mirror tile market was "depressed but not dead."

The chain has cut its selection in half from 16 to 18 sku's to eight, dropping some design patterns, he said.

"The better tiles, including beveled-edge, gold swirl, bronze and silver are still doing well," he noted.

At five-unit Builderama based in Savannah, Ga., buyer Joan Wilber said the best activity in mirror tiles lies in the low-end plain tile priced at $7.99 per box.

"There has been a downward trend in the category," she related, however. "It seems to have hit its peak. Mirror tiles don't seem to be in vogue."

Kip Kronenberg, general manager of Calco's retail group, Austin, Tex., said silver prices hurt mirror tiles but he agreed with Builderama's Wilber that they might be out of style.

Calco stocks the items in only two of its six stores and is considering phasing out the category, Kronenberg said.

Gambles DIY

(Continued from page 3)

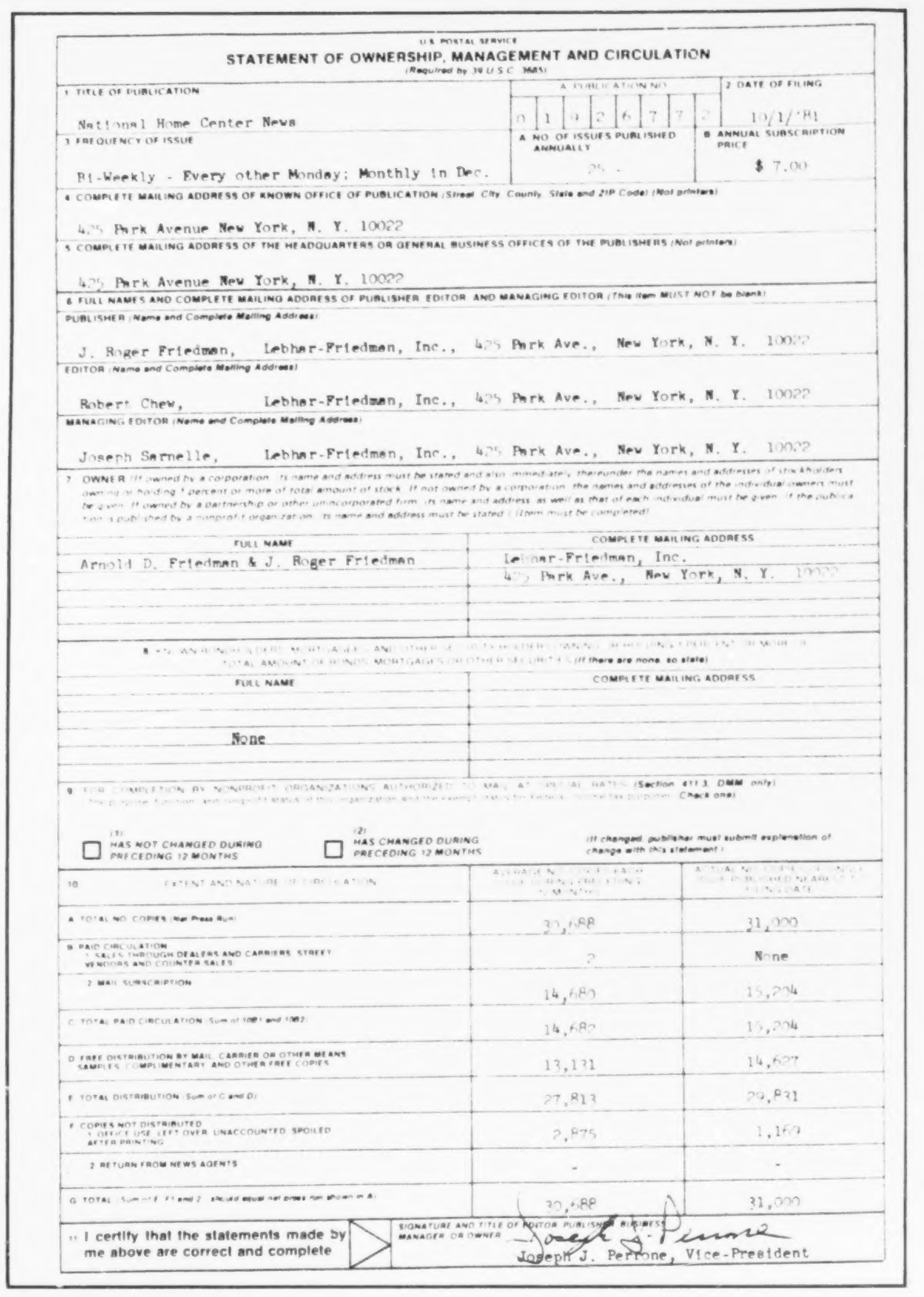
parking lot, "the hardware department will be the first thing they see," said Sharp. "Building materials, like insulation, are to the right near lumber. Decorative building materials, such as wrought-iron doors, are to the left next to the paint department."

Sharp said the mall was "female-oriented" and that decorative trim and plumbing products are front and center in this part of the store, with upgraded housewares to the left and paint, wall decor and lighting/electricals to the right.

"We constructed and stocked the store with two audiences in mind, and our main store traffic arteries circle within the unit, guiding the male or female customer naturally into the department he or she is most likely to buy in," he said.

The question remains, though, what Gambles will do with the prototype concept. Currently, the division has 14 franchised home centers, 400 "home products" stores and 435 conventional hardware/automotives outlets.

Wickes and Gambles officials called expansion plans "proprietary," and did not reveal if or when any of the Gambles stores might be converted to resemble the new prototype.



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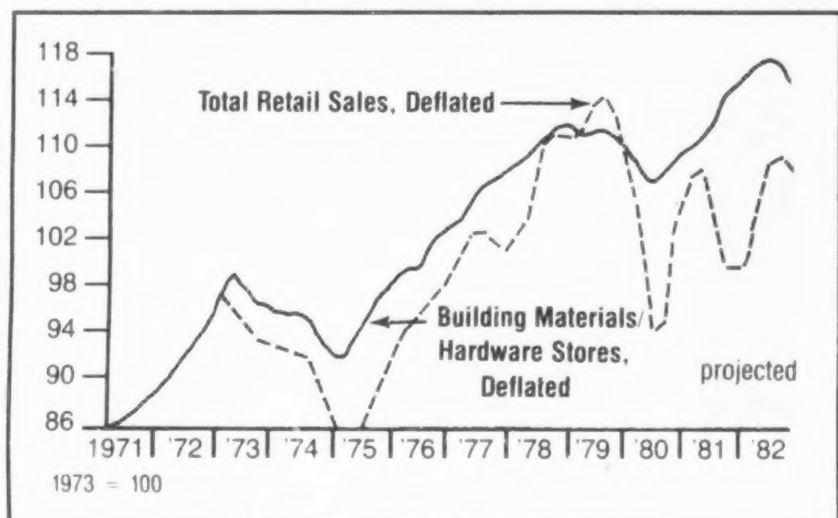
L/F ECONOCYCLE

DIY units outpace cyclical downturn



Building Materials & Hardware

	Sales Change By Quarter								12-Month % Change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include Inflation	7.2	−8.4	−9.4	−1.5	8.4	15.4	13.9	5.5	12	−3	11
Real sales (Deflated)*	−2.6	−17.6	−18.5	−10.4	−1.2	6.3	5.1	−2.7	4	−12	2

Base = June 1981 Sales
*Projected

The Lebhar-Friedman spending indicator (below) continues to mirror persistent upward growth of retail sales through the balance of 1981. In fact, a sharp pickup in the spending rate now suggests a resurgence of consumer confidence that may lift current sales-projections beyond forecast levels in the last two months of the traditional "golden quarter."

General retail sales (chart below) should move ahead 4.1% this month against same-month sales in 1980. This follows a third quarter performance of 3.4% for all retailing and hints strongly at better-than-bargained-for results in November-December.

The L/F Econocycle projection is for continued "spotty" performances by specific retail categories.

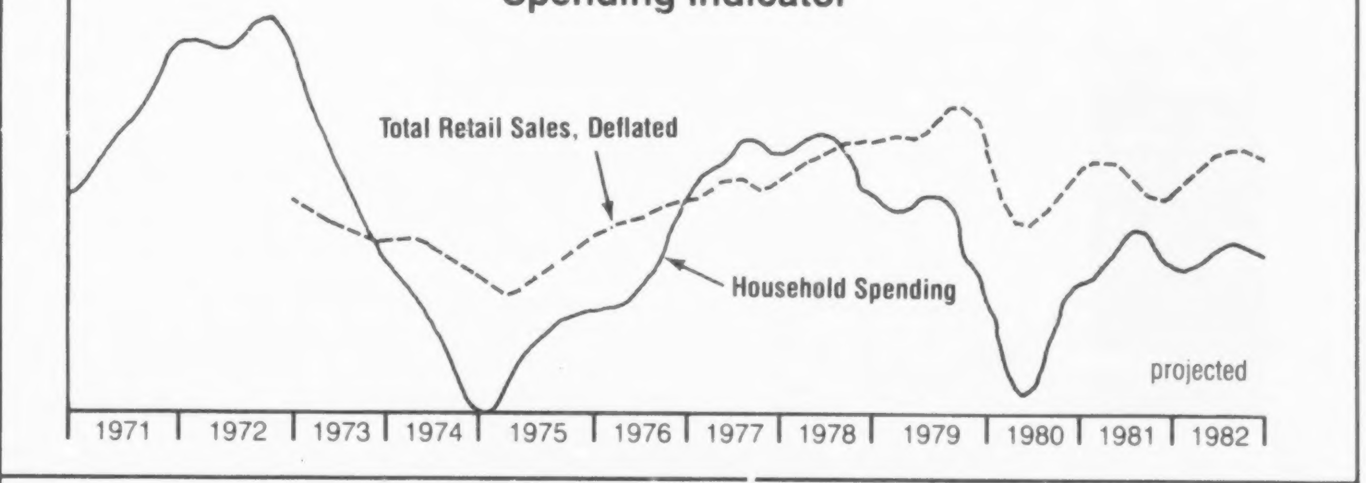
Department stores are being clocked for a 6.1% rate-of-gain this month—and will be running ahead of all other retailers for the first time this year.

Building materials/home center outlets, on the other hand, are generally entering a sharp cyclical downturn fueled by this year's extremely high interest rates and impact on home construction activities.

The current downturn mirrors the severe falloff of building materials during the 1974-75 recession-period.

Although Econocycle statistics can not extract contractor sales, there continue to be strong indications that DIY (consumer-oriented) home center operators are generating plus sales and profit increases. (Florida-based Scotty's, for one, pushed sales ahead 20% and earnings up 5% for the fiscal year just ended. Lowe's continues to put its emphasis on consumer-retail operations to offset a weakening builder market.)

Spending Indicator



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	−8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	−9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	−1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	11.9	10.5	11.9	15.4	11.1	8.8	8.2	11.8	10.4
	3Q*	10.3	7.9	11.9	13.9	9.7	7.2	8.2	10.6	9.3
	4Q*	9.4	7.5	9.5	5.5	6.3	7.2	7.2	7.0	7.1
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	−3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	10.0	11.0	9.0	8.0	8.0	9.0	9.0

Real Sales (Deflated)
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	−1.2	5.8	0.0	−2.6	3.8	4.9	−1.4	1.9	1.8
	2Q	−5.0	4.9	−0.1	−17.6	2.0	−3.4	0.5	−2.4	−2.0
	3Q	−4.2	2.0	−0.9	−18.5	0.5	−5.8	−0.2	−3.4	−3.3
	4Q	−2.9	−0.6	−1.8	−10.4	3.9	−1.1	1.5	−2.0	−1.1
1981	1Q	0.7	−1.4	−2.1	−1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.4	0.3	2.8	6.3	1.2	3.1	4.0	5.2	4.5
	3Q*	3.4	2.6	3.9	5.1	1.4	2.3	4.7	5.2	4.5
	4Q*	4.0	5.8	2.6	−2.7	−0.5	0.5	4.7	1.6	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	−3.0	3.0	−0.7	−12.0	2.0	−1.0	0.1	−1.0	−1.0
	1981*	3.0	2.0	2.0	2.0	0.6	2.0	5.0	3.0	3.0

Base = June 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

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Floor coverings roundup: pp. 15-19

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Following in their fathers' footsteps

Sons carry on DIY tradition

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Some call them SOB's, sons of bosses.

They run—or are waiting to run—a family business that in the home center industry typically began as a salvage outlet in the 1880's, grew into building supply stores before World War II and then followed America into suburbia.

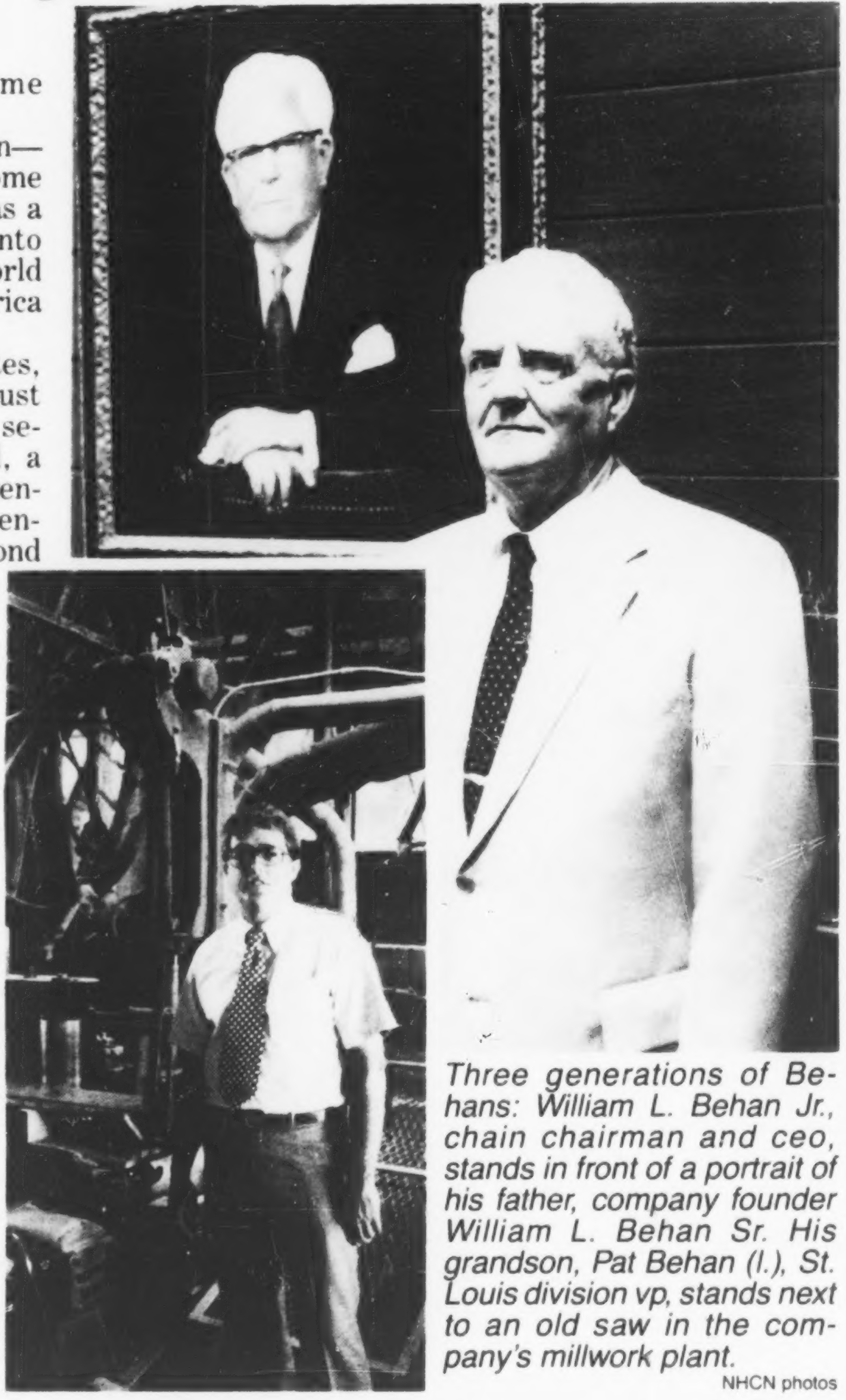
But in this era of conglomerates, where the current generation must balance independence against the seductive appeal of being acquired, a number of sons have defied conventional wisdom that says the first generation founds a business, the second expands it and the third sells it.

"I think our customers feel good that they can talk to a Mr. Meyer," said Wayne Meyer, fourth generation retail sales manager of Meyer Lumber, a single-store operation outside of Kansas City, Kan. "You know, is there really a Handy Dan?"

The pressure to keep it all in the family is perhaps best signified by the fact that more than one building supply operation believes its patriarch originated the home center concept.

For example, C. E. Peterson Sash, a company founded in the late 1800's by a Swedish cabinetmaker who specialized in wooden interiors for safes and desks for Chicago's public schools, evolved into Gee Lumber and Coal, which in 1947 erected a 50,000-sq.-ft. mass

(Continued on page 4)



Three generations of Behans: William L. Behan Jr., chain chairman and ceo, stands in front of a portrait of his father, company founder William L. Behan Sr. His grandson, Pat Behan (l.), St. Louis division vp, stands next to an old saw in the company's millwork plant.

NHCN photos

Diamond seen as best bet to buy 50 Homecrafters

By Greg Puchalski
NHCN senior editor

PELHAM, Ala.—Diamond International appears to have the inside track in acquiring 50 Homecrafters stores in the Southeast from Union Camp, *NHCN* has learned.

Although Union Camp officials are calling an impending sale of its Moore Handley division "strictly a rumor," sources close to the division say the sale of Moore Handley's wholesale hardware, industrial supplies and machine tool businesses is in its final processes and that Homecrafters is also available.

Union Camp based in Wayne, N.J., has reportedly received several inquiries for the Homecrafters stores.

Sources said W. R. Grace and Evans Products had expressed interest in pieces of the Homecrafters chain, but that Diamond, based in New York and with retail headquarters in the Sacramento, Calif., area, was looking at the entire chain.

Apparently, its interest in the whole chain has placed Diamond as the front runner in such an acquisition.

A Union Camp spokesman would only say, "We have been approached from time to time concerning Moore Handley."

Diamond, on the other hand, which is searching for a DIY-oriented chain to go along with its contractor-oriented facilities (*NHCN*, Sept. 28), is working on a major acquisition, according to Richard Cushman, the firm's retail vice president.

"There's no question we will acquire a retail chain, but nothing is about to break soon," he said. "We're still looking and we haven't closed the doors to anything."

Cushman cautioned that Diamond International has spent large sums in recent transactions at the corporate level and indicated this may limit the amount the parent is willing to spend.

A source said a Homecrafters deal could involve $1 million per store, or $50 million.

Although Homecrafters, as of last year, did only 40% of its sales with DIYers, it is attempting to boost retail volume. It is presently testing credit card and catalog services and has adopted an installation service (*NHCN*, Oct. 12).

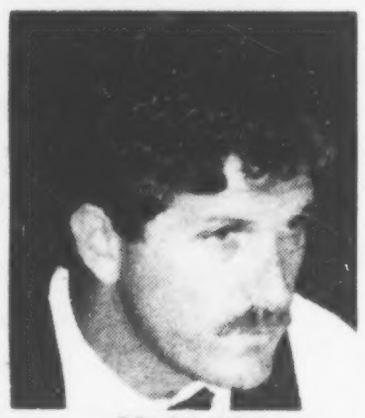
Expansion in the Southeast would not be totally new for Diamond either. In recent years, it has opened and acquired outlets in Florida.

Other companies either have been or are still in the running for the stores, sources said.

Grace reportedly wanted to

(Continued on page 50)

McNulty named vp of Grace chains



McNulty

NEW YORK—An operator of two home centers 18 months ago is now in charge of merchandising for the largest home center operation in the country.

Robert McNulty, executive vice president of southern California's Angels Do-It-Yourself, a 15 store, $50 million-plus W. R. Grace home center chain, will be moved into a new corporate post, vice president in charge of merchandising and operations for all Grace home center chains, *NHCN* has learned.

W. R. Grace operates seven operations: Angels, Channel Home Centers, Handy City, Orchard Supply, Cashway Home Improvement, Handy Dan and Green/Harris. The home center fleet in total has 270 stores and some $810 million in sales.

McNulty, who will report directly to home center group president Frank Denny, joined Grace last year when his two store Western Home Centers was purchased by Angels. At that time, McNulty was put in charge of revitalizing the merchandising attack of the ailing Angels unit (*NHCN*, May 25).

A replacement for McNulty at Angels has yet to be named. McNulty's new position is expected to consist of coordinating merchandising strategies at chains, utilizing Grace's buying clout among suppliers and lending a hand in acquisition and expansion plans.

Forest giants' profits crash; expect turnaround by late '82

By Wyatt Kash
NHCN associate editor

NATIONAL REPORT—The cry of "tim-berrr" was heard echoing through the corporate offices of the nation's forest products giants last month, instead of in their forests, as quarterly earnings came crashing down.

For most, it was only a matter of time before net income began to collapse.

The crippling impact of high interest rates on the housing industry, as well as on the export market, has rifled the corporate coffers of building material suppliers all year. With almost a third of the nation's mills now closed, and better than half of the industry's workforce laid off, or on curtailed schedules, the forest products industry, like the interest rate-sensitive auto industry, finally buckled at the knees.

"Reporting a loss is a new and unwelcome experience," conceded Louisiana-Pacific chairman and president, Harry Merlo, in releasing his company's third-quarter results last month. The nation's third-ranked lumber producer showed a $2.6 million loss on third-quarter sales of $254.4 million. Net income for the first nine months of this year are down 57% from the $48.6 million earned in the same period last year.

In San Francisco, Crown Zellerbach's timber and wood products division reported a $10.2 million loss on third-quarter sales of $111.5 million, turning earlier profits into a $1.8 million loss for the nine months ended Sept. 30, on total division sales of $425.7 million. The forest products giant, which recently ousted its chairman, and lost a top vice president in a management shakeup, reported that it was particularly hurt by the millworker strike in

(Continued on page 50)

NEWSBREAKS

PERGAMENT BUYS HUGE KORVETTES SITE. Pergament has purchased the lease of a former 200,000-sq.-ft. Korvettes store located in the Staten Island (N.Y.) Shopping Center, site of an existing 20,000-sq.-ft. Pergament unit. According to chain president Murray Pergament, the store should be ready for occupancy "sometime next spring." It's uncertain how much of the store Pergament will use. The existing Pergament store will be closed and relocated to the new site.

NEW HECHINGER GMM. Sally A. Courtney is settling into her new post as general merchandise manager for the 31-unit, $170 million Hechinger chain, Landover, Md. She will be responsible for all merchandising at Hechinger's and will report to executive vp Phil Mansfield, who previously held the gmm position as well.

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Forest giants' profits crash; recovery eyed

(Continued from page 1)

British Columbia (*NHCN*, Aug. 3), which virtually shut down its Canadian subsidiary in July and August.

While third-quarter sales were roughly even with those of last year for Boise Cascade, International Paper, and Weyerhaeuser (thanks to diversification efforts), earnings were down sharply nevertheless across the board.

Net income fell 58% at No. 1 ranked Georgia-Pacific, to $31 million, despite a 10% increase in third-quarter sales to $1.4 billion, compared to a year ago. Boise Cascade's earnings fell 37%, to $18.5 million on third-quarter sales of $781.5 million. IP and Weyerhaeuser reported 24% and 27% third-quarter earnings declines to $54 million, and $50 million, respectively, on sales of $1.27 billion, and $1.09 billion.

"The question now," says Hal Airington, vice president of wood products sales for Georgia-Pacific, "is whether the recession will remain a shallow dish, [affecting only a few industries], or ultimately overflow into the whole economy."

Richard Reagan, a director of planning and administration for Weyerhaeuser, expressed similar uncertainty.

"Unlike the recessions of the previous two decades, the period in front of us is the most difficult to forecast of any we've encountered. A lot depends on how the financial markets unfold under deregulation."

Strategic planning remains a tender subject for most of the forest products giants. Assumptions only six months ago, that interest rates would slacken and that housing would begin to pull materials through the pipeline, beginning in the fourth quarter, have all been thrown out the window.

While the majority of economists and market planners for the forest industry are now assuming that the housing industry will produce about 1.4 million new homes next year, compared to about 1.2 million this year, just when business will begin to pick up is still a crystal ball affair.

"Everyone agrees there's lots of pent-up demand for housing," said a marketing manager for MacMillan Bloedel, Canada's largest lumber producer.

"It's our feeling that until mortgage money reaches the 15% to 16% threshold, we won't see any genuine growth in housing. The thrust of our [planning] is based on seeing when we'll reach that threshold."

That should happen in the second quarter of 1982, he predicts.

According to his projections, orders should begin to pick up at the end of the first quarter as the 16% mortgage rate threshold approaches, in anticipation of an increase in building activity the following quarter.

U.S. softwood lumber consumption by market and source 1978-82

(Figures in million board feet and market share)

MARKETS:	1978	1979	1980	Est. 1981	Proj. 1982
Residential Construction*	18,573 (44.8%)	15,827 (40.5%)	11,639 (36.4%)	10,700 (34.5%)	12,440 (37.5%)
Other New Construction	6,134 (14.8%)	6,318 (16.2%)	5,668 (17.7%)	5,650 (18.2%)	5,720 (17.2%)
Repair and Remodeling	7,940 (19.2%)	8,041 (20.6%)	7,788 (24.3%)	7,755 (25.0%)	7,900 (23.8%)
Material Handling	4,652 (11.2%)	4,939 (12.7%)	3,916 (12.2%)	3,900 (12.6%)	4,000 (12.0%)
All Other	4,145 (10.0%)	3,916 (10.0%)	3,001 (9.4%)	3,000 (9.7%)	3,150 (9.5%)
TOTAL	41,444	39,041	32,012	31,005	33,210
U.S. Sources	29,603 (71.4%)	27,932 (71.5%)	22,472 (70.2%)	21,755 (70.2%)	23,310 (70.2%)
Imports	11,841 (28.6%)	11,118 (28.5%)	9,540 (29.8%)	9,250 (29.8%)	9,900 (29.8%)

Source: Western Wood Products Assn.; NHCN chart

**Estimates are based on 1,200,000 conventional home starts and 260,000 mobile homes during 1981, and 1,400,000 conventional starts and 290,000 mobile homes in 1982.*
Note: Virtually all imports are from Canada.

Consumption of softwood lumber for remodeling and repairs is expected to increase only modestly next year, to 7.9 billion bd. ft., on the assumption that DIYers will postpone larger projects, like room additions.

Once building activity does increase, though, he warned prices would "move up substantially—probably 20% in the second quarter."

Ted Patsuris, director of sales and market planning for Champion International's building products division, contends that interest rates will not be the only factor in determining when housing will begin to recover.

Consumer confidence will play an increasingly important role, he said, particularly as the Federal Government cuts back on social service and public project funding.

He, along with George L. Pearson, senior vice president of timber and wood products, at Crown Zellerbach, believe the housing market won't begin to roll again until the third or fourth quarter of 1982.

Dick Rose, a product manager for Georgia-Pacific, and Jerry Griffin, director of corporate communications for Louisiana-Pacific, see activity picking up in the second quarter, following a very slow first quarter.

One sentiment seemed broadly based at all the major lumber producers: interest rates are not likely to drop very far next year.

"I don't believe you'll get fixed-rate mortgages much below 14% or 15% ever again . . . or at least in the foreseeable future," said Griffin at L-P.

Southwest Forest Industries, which owns Knox Lumber and Dunlap's, "does not foresee the prime rate dropping below 16% in all of 1982," according to Ed Wren, vice president of public affairs.

The lack of housing, however, is not the only problem facing the forest industry.

High interest rates have inadvertently put an unrelenting squeeze on the industry's growing export market.

Foreign investors, anxious to capitalize on higher returns available in United States dollars, have driven up the dollar's value nearly 25% over foreign currencies since 1979. Timber and lumber exporters, as a result, have had to cut their delivered prices abroad by almost the same percentage, in order to stay competitive against Swedish and Asian suppliers.

Moreover, unlike in previous recessions, when world housing markets tended to lag behind building cycles in the United States, steep housing slumps are occurring simultaneously here, in Japan and Europe, further curbing demand.

Softwood log exports for the first seven months of 1981 are down 39%, compared to the same period last year, to 1.4 billion board feet, while softwood lumber exports declined 21%, to 1.2 billion board feet, according to the National Forest Products Assn. Except for softwood plywood exports, which are up by 45%, to 237 million sq. ft., it appears United States wood products exports will decline for the first time in five years, in 1981. Anticipating long term growth, most of the large lumber producers are having to keep to their multibillion dollar capital improvement plans, in spite of the dip in business.

While the falloff in housing has meant a proportional gain in softwood lumber consumption by the remodeling and repair market—from 19% of all United States consumption in 1978, to 25% this year—perhaps the most significant impact of high interest rates is the new reliance on two-step distribution. Spokesmen at Georgia-Pacific, Champion International, MacMillan Bloedel and Southwest Forest all report that sales at their wholesale distribution centers are up by as much as 10% from last year, or at least relatively even, while direct shipments to the large retail customers are down proportionally.

Even chains like Wickes, Saginaw, Mich., and Lowe's, North Wilkesboro, N.C., are finding the savings on carrying costs justify the added cost of dealing with wholesale distributors, observed one spokesman.

L-P's Jerry Griffin was one forest industry representative who asserted that the proposed cutbacks in Federal housing supports by the Reagan Administration, and the likelihood of smaller houses being built once the industry gets rolling again, all bode very well for the DIY retailer.

"Compared to the quality available in newly built houses, people will prefer to expand their existing homes using the equity they have in their house," Griffin said.

"A lot of habits will have to be broken, painfully," he said, "You'll see less mobility. Individualism will rise."

That will only help the consumer-oriented building material retailer, he said.

Stambaugh's

(Continued from page 2)

didn't have the capacity for private label," he said. "It just so happened that it offers a private label program, is willing to ship us through central distribution, and has an overall point of sale approach which suits us."

That "approach" includes planogramming each of Stambaugh's plumbing departments, and improving in-store marketing with more explicit how-to instructions on the packages being tied to POP literature and signing.

"Franklin understands us and the home center industry," Senne said. "It realizes that the most important thing in selling plumbing is giving a customer as much installation information as possible."

When the program finally gets under way, such products as toilet and faucet repair kits, traps, drains and compression fittings will be displayed on a 28-ft. gondola, 72-in. high. These new fixtures will replace the 54-in. high gondolas the chain has been removing over the past year from its units.

Surprisingly, Stambaugh's has not as yet installed a private label program for faucets, which has been successful for a number of chains around the country, though it is planning to do so in the future.

"When the best source for faucets offers the best private label program, that's when we'll make the change," he said. "The same holds true for our fittings. We want our plumbing departments to have some uniformity and consistently, but not at the expense of changing the way we do business."

Correction

Sutherland Lumber, Kansas City, Mo., was inadvertantly omitted from the 1981 Census chart of the top 100 chains (*NHCN*, Oct. 26). Sutherland is estimated to do $220 million in 1981 from 71 outlets in 21 states. Eighty per cent of its sales are from consumers making its DIY dollar volume of $176 million No. 13 on the chart.

Diamond

(Continued from page 1)

"pick and choose" locations but could not and bowed out, observers noted.

Evans Products apparently wanted to do the same but Evans officials admit to only a limited interest now. "We have been aware of the availability of the Moore Handley stores for some time," a spokesman said. "Right now, our interest is limited."

An insider said, "We have been told the top candidates are three building material companies which have no locations in the Southeast and are not sophisticated in terms of computers.

"Union Camp has kept everyone in the dark. We've just heard that if one of these three companies makes the purchase, everything will remain status quo."

As for Moore Handley's other businesses, Union Camp is reportedly set to sell them to a New York investment firm. A source said that deal is also estimated to be in the eight-figure range.

Last year, Moore Handley's reported operating profits fell 16% from 1979 to $3,478,000 on a sales gain of 3% to $171,659,000. The wholesale business turned in what Union Camp called "an excellent year," but there were declines in business at Homecrafters.

In Union Camp's third quarter which produced modest increases in sales and earnings, president and ceo Peter J. McLaughlin attributed the company's favorable results to its basic paper and paperboard operations. Aggregate earnings from its nonpaper businesses, including those dependent on new housing, in the quarter were down.

An observer noted, "They can get 17% to 20% return on paper business but only 8% return, and 12% in a good year, on retail."

Expansion is blocked at Yankee

(Continued from page 3)

with the zoning law—such as how far a building must be from the road—but has no power to waive the 50% catastrophy clause.

Irwin was stuck.

"I could put the money in for a new building, with a new warehouse, but if I were to lose it in a fire, or some other disaster, I wouldn't be able to rebuild," says 51-year-old Irwin.

As a last resort, Irwin took his dilemma to the townspeople of Wilton, with a full page ad asking residents: "Please help us to decide our future in Wilton," in bold headline lettering.

The ad outlined Irwin's situation, emphasized that the decision would affect all residents (who would have to go to other towns for their building material needs if Yankee closed), and requested them to mail in a coupon with their advice.

Seven hundred replies came in (from 390 households) supporting Yankee's expansion, according to Irwin; one reply came in against it.

Even the *Wilton Bulletin*, observing Irwin's plight in the paper's own advertising, ran an editorial in favor of a zoning variance as being in the best interest of the town.

At a midnight vote, however, on the night of Sept. 14, the Board of Appeals collectively voted against the variance.

The stumbling block, as it turned out, was the hard line being drawn by John Johnson, a five-year resident of Wilton who lives across the street from Yankee Lumber, and who also holds an influential vote on the Planning and Zoning Commission in Wilton.

While several members of the commission, and the board of appeals, have voiced their support for granting variances to Irwin, Johnson's negative vote has prevented final approval.

Johnson, who owns a True Value hardware store 35 miles from Wilton, maintains the route in front of Yankee Lumber cannot handle the traffic it has now, let alone what would follow from Yankee's expansion.

With the prospects of a $15,000, two-to-three-year legal battle that would probably have to go to the state supreme court, Irwin is now seriously having to explore the possibility of tearing down Yankee Lumber, and replacing it with a three-story office building.

He's also looking for property in adjacent towns to relocate Yankee's business.

Either way, sighs Irwin, the people of Wilton end up being the losers.